

### LEAD STORIES

FLURRY OF PROPOSALS AS AG CHAIR PREPARES  
DRAFT AGREEMENT, PESSIMISM  
NOTWITHSTANDING 1

CLOUDS LOOM OVER US TRADE POLICY, DESPITE  
SUCCESSFUL RE-NEGOTIATION OF FTAS 3

### OTHER NEWS

ANTIGUA GAMBLING DISPUTE: MAJOR ECONOMIES  
DEMAND COMPENSATION FROM US 6

DEBATE ON PRIVATE SECTOR STANDARDS  
CONTINUES IN SPS COMMITTEE 7

### IN BRIEF

INDIA TO LOWER WINE AND SPIRITS TAXES, PRE-  
EMPTING POTENTIAL WTO RULINGS 8

### WTO IN BRIEF

INDONESIA'S TPR: STEADY GROWTH NOT HIGH  
ENOUGH TO REDUCE POVERTY,  
UNEMPLOYMENT 9

### EVENTS & RESOURCES

EVENTS 9  
RESOURCES 10

### LEAD STORIES

#### FLURRY OF PROPOSALS AS AG CHAIR PREPARES DRAFT AGREEMENT, PESSIMISM NOTWITHSTANDING

WTO Members this week produced a spate of new proposals in an attempt to influence the content of the draft agreement text currently being prepared by the chair of the agriculture negotiations. Delegates expect the draft 'modalities' paper, which will set out figures and formulae for tariff and subsidy cuts and exceptions, to be circulated in the days leading up to 16 July. This week is the 'last chance' to communicate their positions before the text is issued, they said.

Geneva-based delegates appear to be giving up on making substantial headway in the Doha Round negotiations by the end of July. Agriculture Chair Ambassador Crawford Falconer (New Zealand) has reportedly indicated that he is planning to continue discussions on his text in September. A framework deal before the WTO's August holiday had been considered crucial for finalising the round by early 2008, before the US election campaign begins in earnest. Many negotiators now suggest that an accord in the near future seems highly unlikely, particularly after the acrimonious breakdown of talks among the 'G-4' major trading partners - Brazil, the EU, India and the US - in Potsdam, Germany, two weeks ago (see BRIDGES Weekly, 20 June 2007, <http://www.ictsd.org/weekly/07-06-20/story2.htm>).

In contrast to the trade diplomats, some governments continue to speak of a potential breakthrough by the end of July. Asia-Pacific leaders may attempt to give a post to the Doha talks when meeting in Cairns, Australia on 5-6 July. WTO Director-General Pascal Lamy himself referred to a horizon of "the coming weeks" in a 2 July speech.

#### New EU proposals on market access

The EU produced two papers on market access, both dated 29 June. One dealt with the treatment of 'sensitive products', providing a complex formula for

**BRIDGES Weekly Trade News Digest** is [also available online](http://www.ictsd.org/weekly) and is updated every week. To subscribe to BRIDGES Weekly Trade News Digest, please visit the ICTSD website at <http://www.ictsd.org/subscribe>. If you require any assistance setting up your BRIDGES Weekly Trade News Digest subscription, please contact Trineesh Biswas, Editor, by email at: [bridges\\_weekly@ictsd.ch](mailto:bridges_weekly@ictsd.ch), or by telephone at: (41-22) 917-8498

calculating the size of new import quotas that developed and developing countries would have to create in exchange for making reduced tariff cuts on such commodities.

Under the proposal size of expanded quotas would vary based on several variables, including the share of imports in domestic consumption, the extent to which the product was being shielded from regular tariff reduction rates, the elasticity of import demand, and import penetration.

Negotiators said that the EU submission was so complicated, it was impossible to understand whether it would offer trading partners any expanded market access opportunities. "It's so complex as to become incomprehensible for most human beings", said one, noting that this alone led many Members to suspect the EU was "trying to cook up the results."

The EU's other paper addressed issues such as tariff escalation, tropical and diversification products (the latter intended to help countries shift production away from illicit narcotic crops), and the special safeguard.

In particular, it proposed extra tariff cuts for cases of substantial 'tariff escalation' - when processed products are subject to higher duties than their raw materials, which can be a disincentive for poor countries to develop processing capacity.

More controversially, the EU proposed maintaining the special safeguard (SSG), a mechanism that has been used primarily by developed countries to raise tariffs above bound levels in order to defend against import surges. Developing countries have tended to oppose any such extension, as have efficient exporters such as the Cairns Group countries.

The EU once again stressed the importance of extending 'geographical indications' protection to products other than wine and spirits (say, for example, Parma ham). Countries such as Switzerland and the EU believe that commercial opportunities arising from restricting the use of names associated with particular places could help compensate their agricultural producers for subsidy and tariff cuts. Many WTO Members, especially 'new world' nations like the US and Argentina, have consistently argued that there is no mandate to address this issue in the negotiations.

### **Tropical products: EU rejects Cairns Group proposal**

The EU rejected outright the Cairns Group's recent proposal on liberalising trade in tropical products (see

BRIDGES Weekly, 14 March 2007, <http://www.ictsd.org/weekly/07-03-14/story1.htm>),

Stating bluntly that it "will not consider working off the Cairns list" of tropical products eligible for the "fullest liberalisation," the EU argued instead that Members should base their discussions on a list of products that had been negotiated but never finalised during the previous Uruguay Round of talks. While this had been "the subject of intensive negotiations", the shorter Cairns Group list "had no status," it declared. The EU criticised the Cairns Group's list for including commodities such as sugar, rice, tobacco, cigarettes, potatoes, onions, ethyl alcohol, and some edible oils, saying that it could not accept their designation as 'tropical'.

The EU further suggested that Members should bear in mind "the sensitivity of certain products and the need to address preference erosion." The African, Caribbean and Pacific (ACP) group of countries has repeatedly warned that full liberalisation for tropical products, especially bananas and sugar, could, by ending their advantageous access to developed country markets (especially the EU), exacerbate the 'preference erosion' problems that Members are also supposed to address.

In a substantial break with the discussions thus far, the EU argued for considering tropical and diversification products separately. "Diversification products cannot be addressed on an MFN basis," it said. Instead, concessions "should be available only for countries engaged in effective diversification programmes."

A delegate from a proponent of greater liberalisation described the EU paper as "unhelpful," "nasty and confrontational" in tone, and an attempt to reopen several issues that had already been agreed. For example, there is absolutely no mandate for treating tropical and diversification products differently, the source said.

### **Monitoring and surveillance: G-20 and Cairns Group table proposals**

The Cairns Group and the G-20 bloc of developing countries last month issued separate papers on improved monitoring and surveillance. Amongst other things, both focus on the need for timely notifications from WTO Members: long delays, especially on subsidies, have annoyed exporting countries, which argue that it is impossible to negotiate properly on reduction commitments in the absence of accurate, up-to-date information. While the US last notified its subsidy spending in 2001, the EU and Japan have not done so since 2003/04 and 2003 respectively.

Both papers set out a number of across-the-board requirements, as well as specific ones for market access, domestic support and export competition. Both also recognise the need for special and differential treatment for developing countries, which have warned that notification requirements can place a heavy burden on their limited administrative capacity.

The Cairns Group submission proposes an in-depth examination of Members who fail to submit timely notifications. The G-20, for its part, proposes establishing a subcommittee on monitoring and surveillance, in which tardy notifiers will be barred from asking questions or proposing issues for discussion.

### **Commodities: Africa Group submits new paper**

The Africa Group on 2 July put out a paper on commodities, criticising the cursory treatment Falconer had given the issue in the second instalment of his 'challenges' paper identifying several parameters for a potential accord (see BRIDGES Weekly, 30 May 2007, <http://www.ictsd.org/weekly/07-05-30/story1.htm>). In that document, he had simply noted that there was "very little" emerging agreement on commodity issues, and suggested that Members simply agree to provide technical and financial assistance on diversification and capacity building, and to further examine the question of producer agreements.

Calling this a step backwards, the group emphasised the importance of progress on this issue for Doha's credibility as a 'development round'. In order to tackle tariff escalation on commodities, the group's paper argued that a limit should be placed on the gap between tariffs on primary and processed products. Commodity-dependent countries would identify products of interest for this.

The group also set out draft text intended to clarify rules on international commodity agreements among producer countries, building on their June 2006 proposal. This aimed to clarify ambiguity about the legality of such agreements under existing trade rules.

### **Chair describes the road ahead**

Sources report that Falconer has indicated that he intends to issue the new draft in the middle of the month, probably between 13 and 16 July. The draft had initially been expected sooner, but was delayed following the G-4 breakdown in Potsdam.

The chair would then allow negotiators a week to examine the text, consult with capitals and each other, and prepare reactions. On 23 July, he would begin a

round of 'room F' consultations with small groups of invited ambassadors, with both open and invitation-only sessions.

Despite previous suggestions that negotiators might have to work through their traditional holiday, sources said the chair would then halt consultations for August. Work would begin again in early September, with a new round of consultations, to be followed with by a new revision of the text, potentially followed by one last version.

If, at some point later in the month, an agreement looks within reach, Lamy would probably invite some two dozen ambassadors or senior capital-based officials for a 'green room' aimed at finalising a deal. This would be the prelude to ministerial-level approval.

ICTSD reporting.

---

## **CLOUDS LOOM OVER US TRADE POLICY, DESPITE SUCCESSFUL RE- NEGOTIATION OF FTAs**

The US presidential administration last week finalised free trade agreements (FTA) with Peru, Colombia, Panama, and Korea just ahead of the expiry of its 'trade promotion authority' mandate on 30 June. Negotiators managed to agree on last-minute changes to environmental, labour, and intellectual property provisions aimed at boosting the accords' chances of securing legislative approval in Washington.

### **TPA not among Dems' priorities**

Nevertheless, political support for the Bush administration's trade agenda does not look promising. Lawmakers' support for the agreements remains far from clear. This was driven home the following day, when top Congressional Democrats including House Speaker Nancy Pelosi (California) and Ways and Means Committee Chair Charles Rangel (New York) declared that they would oppose the Korea and Colombia FTAs.

Perhaps more significantly, they said that renewing the White House's trade promotion authority, as sought by the administration, was not among their "legislative priorities." However, they did not rule it out altogether.

Democratic scepticism about the Colombia and Korea FTAs was well-established. The two accords had been

specifically excluded from a trade policy compromise between senior Democrats and the administration in May; the former over labour rights, the latter primarily due to concerns about auto and beef trade.

But Rangel, whose powerful committee is responsible for trade policy, had previously suggested that he might put his weight behind renewing the administration's mandate to negotiate trade agreements and submit them to Congress for a yes-or-no vote without amendments, at least for the WTO talks. Such an extension is widely considered essential for the faltering Doha Round of multilateral trade talks to have any chance of success in the foreseeable future.

Trade promotion authority (TPA) is technically only required when Congress is actually ratifying agreements - other governments want to be sure that US lawmakers cannot pick apart already-agreed deals, as they would otherwise be able to do. However, trade diplomats from many other countries view support for 'fast-track' renewal as a barometer of Washington's seriousness about concluding a Doha Round accord - and of its credibility at the bargaining table.

Many see the Democrats' announcement on TPA as reducing what little chances were left for salvaging a WTO agreement in the foreseeable future after the acrimonious breakdown of high-level talks among the EU, the US, Brazil, and India in Potsdam, Germany two weeks ago (see BRIDGES Weekly, 27 June 2007, <http://www.ictsd.org/weekly/07-06-27/story1.htm>).

Kim Elliott, a joint fellow with the Peterson Institute for International Economics and the Center for Global Development in Washington, said that the early collapse of the 'G-4' meeting left her with the feeling that the Doha Round was "going into hibernation for at least a couple of years." And even if one thought that a deal might emerge from the draft agreement texts currently being drafted by the chairs of the agriculture and industrial goods negotiations at WTO headquarters in Geneva, "this makes it an even harder row to hoe," she said, fittingly using an agricultural metaphor.

### **FTAs successfully re-negotiated**

Not all trade legislation is as contentious. Congress on 28 June voted overwhelmingly for an eight-month extension to trade preferences for four Andean nations (Bolivia, Colombia, Ecuador, and Peru), two days before they were set to expire. And Pelosi and Rangel, along with other members of the House leadership, did suggest that the freshly-amended FTAs with Peru and Panama were worthy of support.

This was made possible by the successful re-negotiation of sections of already-concluded FTAs to conform to the May compromise on trade policy.

Washington and all four FTA partners managed to agree to a series of revised rules, including binding references to key International Labour Organisation (ILO) standards, and the enforcement of environmental laws and seven major multilateral environmental agreements to which they are already party (see BRIDGES Weekly, 16 May 2007, <http://www.ictsd.org/weekly/07-05-16/story2.htm>).

While past US FTAs have generally made labour and environmental requirements of the 'best-endeavour' sort, they have now been elevated to core obligations, subject to dispute settlement (albeit only after several intermediate stages aimed at producing compliance). Biodiversity protection clauses, however, remain hortatory.

Peru's FTA now includes a specific annex on forest sector governance, with mandatory provisions, including specific implementation periods, on fighting illegal logging and wildlife trade in wildlife.

### **IP rules softened for access to drugs**

In a substantial departure from past practice, the US relaxed several patent-related intellectual property rules in the agreements with Colombia, Panama, and Peru, in order to address Democratic concerns that the accords would threaten access to medicine.

Recent US bilateral and regional FTAs have typically incorporated patent protections that go well beyond WTO standards. These rules, public health advocates claim, delay and complicate the production of cheap generics and raise drug prices. With the changes, the intellectual property provisions of the new accords are now less expansive than those in Washington's Central American Free Trade Agreement (CAFTA).

For example, language on requirements to compensate would-be patent-holders for delays in processing their applications has been softened, going from compulsory to optional. Protections for clinical test data have been narrowed, and the door is opened to deviations from the five-year exclusivity period - which could speed the arrival of generics to the market. Furthermore, parties' ability to use public health-related flexibilities present in WTO agreements has now been reaffirmed in the actual text of the three FTAs.

Although the revised clauses remain more far-reaching than WTO rules, say US-based Health GAP and



Essential Action, they "are less bad than the original versions, in some notable ways." The two advocacy groups suggest that the changes could become a new ceiling for 'TRIPS-plus' measures in US FTAs, with the possibility that Congressional Democrats might push for future agreements to be more public health-friendly.

With support from the Congressional Democratic leadership, the agreements with Peru and Panama have a reasonable chance of passage, analysts say. However, with some Democrats adamantly opposed to any trade agreements, the necessary bipartisan support is by no means guaranteed: the unpopular administration recently failed to convince enough Republicans to support its proposed immigration reform.

Pelosi and Rangel said that they "cannot support the Korea FTA as currently negotiated," since it would not sufficiently alter the lopsided trade balance in bilateral automobile trade. As for the Colombia pact, they said "concrete evidence" of reduced violence against labour unionists there would be necessary for them to support it.

Now that the FTAs have been finalised in time for the TPA expiry, President George W. Bush - or even his successor - will be able to submit them to Congress at a moment of his choosing, with lawmakers still bound by the rules expediting debate and restricting amendments. However, he is unlikely to do so unless he is reasonably sure of their approval.

Unless the FTAs enter into force, Colombia and Peru, along with Bolivia and Ecuador (which have not negotiated two-way deals), stand to lose duty-free access to the US market at the end of February 2008, when the Andean trade preferences are now scheduled to expire.

### **US farm subsidies face new opponents**

The latest setback in the Doha Round negotiations came as a relief to opponents of farm subsidy reform in the US, since new binding caps on spending now seem an even more distant prospect. On 19 June, two days before the Potsdam summit collapsed, an influential House agriculture subcommittee effectively called for extending existing subsidy programmes that have been in place since 2002. The current farm bill expires in September; Congress is working to create a new law mapping out agricultural spending for the next five years.

There is a circular debate on the relationship between subsidy reform and the WTO talks. Oxfam America said that the complete absence of "positive signals of reform

coming out of the House agriculture committee" compelled the US "to defend its bloated farm bill" in Potsdam, thus condemning the meeting to failure. Supporters of the current subsidy programmes say that the Doha Round deadlock means that spending can continue more or less as is, or at most with minor changes.

The Peterson Institute's Elliott said that the House agriculture committee's moves had been "disappointing, but not surprising," given that its members overwhelmingly support current policies. She suggested that a support for substantial subsidy reform was growing, both in the rest of the House and elsewhere. Fewer votes than ever before are reliant on farm aid, she said. According to the Environmental Working Group, over half of all farm payments go to only 19 of the 435 Congressional districts.

Elliott added that the tight budgetary situation was putting downward pressure on farm spending. Furthermore, she said that the old coalition in favour of farm subsidies is breaking down: pro-subsidy lobbyists now face conflicting demands from a wide range of civil society activists, from anti-poverty groups such as Oxfam and Bread for the World, to conservation and nutrition groups who blame current practices for environmental degradation and obesity. Fruit and vegetable farmers are also asking for a piece of the pie. Right now, virtually all subsidies go to five 'programme crops' - corn, cotton, rice, soybeans, and wheat. The administration's own farm bill proposal calls for some shifts in spending, primarily to immunise payments from WTO complaints (see BRIDGES Weekly, 7 February 2007, <http://www.ictsd.org/weekly/07-02-07/story2.htm>).

According to the Institute for Agriculture and Trade Policy, the American Public Health Association, and the Johns Hopkins Bloomberg School of Public Health, farm bill policies have worked against the government's own dietary recommendations, "by encouraging the over-production of a few raw commodity grain crops." The groups estimate that fruit and vegetable prices rose by nearly 40 percent from 1985 to 2000, while the real cost of sugars and fats dropped by 7 to 14 percent.

Inside the House - though outside the agriculture committee - Wisconsin Democrat Ron Kind is pushing an alternative farm bill proposal that would dramatically reorient spending towards conservation, nutrition, and rural development initiatives. It calls for safeguarding farmers' incomes by creating savings accounts that they would pay into when prices were high, and then draw from in the event of low prices or a natural disaster.

According to Brownfield, a US agriculture news service, Kind says that the current high prices create a good opportunity for wholesale change. "Reform is going to occur one way or the other," he said. "I'd rather be in control and have the Congress deal with some of the reform proposals rather than have it done for us by outside entities through these challenges with the World Trade Organization."

ICTSD reporting; "Farm Bill causing family feud," BROWNFIELD NETWORK, 5 June 2007; "Farm Bill's Funding Squeeze Could Mean Long-Term Trouble for Democrats," CONGRESSIONAL QUARTERLY, 28 June 2007; "The Debate Over Subsidizing Snacks," NEW YORK TIMES, 4 July 2007; "US, Colombia reach labor agreement," KANSAS CITY STAR, 28 June 2007; "US, Panama sign free trade pact just in time," REUTERS, 28 June 2007; "South Korea, US sign free trade agreement," ASSOCIATED PRESS, 1 July 2007; "Staying alive," THE ECONOMIST, 2 July 2007; "Kind defends farm bill reform," LA CROSSE TRIBUNE, 27 June 2007; "House panel votes to extend 2002 crop subsidies," REUTERS, 19 June 2007.

## OTHER NEWS

### ANTIGUA GAMBLING DISPUTE: MAJOR ECONOMIES DEMAND COMPENSATION FROM US

The Caribbean island nation of Antigua and Barbuda is no longer alone in its efforts to make it harder for the US to avoid complying with multiple WTO dispute rulings against Washington's restrictions on overseas internet gambling.

Eight Members, including the EU, Costa Rica, and Japan served notice before a 22 June deadline that they will seek compensation for lost revenues potentially worth billions of dollars if the US uses rarely-invoked General Agreement on Trade in Services (GATS) procedures to explicitly exclude internet gambling from its multilateral liberalisation commitments (see BRIDGES Weekly, 30 May 2007, <http://www.ictsd.org/weekly/07-05-30/story2.htm>).

Meanwhile, Antigua announced that it would seek to impose USD 3.443 billion in annual retaliatory sanctions against a range of US patents, copyrights, trademarks, and other intellectual property, as well as services companies.

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 the world's biggest internet gambling market to operators based overseas.

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 forced to open up the sector. For the same reason, it argues that altering its services commitments to clearly block access to the sector would amount to a clarification rather than a change, which does not merit compensating affected countries as required by GATS Article XXI. To the US' assertion that a gambling ban could be justified under WTO rules protecting measures taken to safeguard 'public morals', Antigua has countered that US domestic providers of internet gambling face no comparable restrictions.

The US' attempts to curtail internet gambling, culminating in last October's new law prohibiting credit card companies and financial institutions from processing transactions with overseas gambling companies, have devastated Antigua's once-booming industry. They have also caused enormous losses to internet betting companies elsewhere in the world.

The case, which has pitted one of the WTO's tiniest economies against its biggest, is seen as a test of whether the global trade body's dispute settlement system is effective for countries too small to enforce punitive retaliatory tariffs.

### Antigua seeks cross-retaliation

In the document detailing the sanctions it intends to impose (WT/DS285/22), Antigua observed that retaliating against US goods or services would have a "disproportionate adverse impact" on its own population: 48.9 percent of the country's goods and services imports come from the US, but total bilateral trade accounts for less than 0.02 percent of the US' total exports. It thus argued that retaliating in services alone - for instance, by barring some US services companies from operating in the country - would be vastly inadequate to recoup the over USD 3.4 billion in losses it claims to have suffered.

Antigua claims that prior to the US's move to block overseas gambling, the sector accounted for over 10 percent of GDP, and was the fastest growing segment of the island nation's roughly USD 900 million economy.

WTO rules provide for countries to ordinarily retaliate under the specific WTO agreement that has been

violated - that is, sanctions against goods when merchandise trade is at issue, services for services, and so forth. However, if this is unlikely to be effective, they allow governments to 'cross-retaliate' against other sectors, such as intellectual property. This has been extremely rare in practice: in 2000, Ecuador received the right to impose USD 200 million in sanctions against EU intellectual property in a dispute over trade in bananas, but chose not to do so.

Antigua argued that cross-retaliation was necessary, since its gaming industry and overall economy would continue to suffer serious losses unless the US withdrew its gambling restrictions. It thus asked for authorisation to suspend its WTO obligations to protect US copyrights, trademarks, industrial designs, patents, and data protection, as well as to suspend liberalisation commitments in the communication services sector.

Some legal scholars suggest that cross-retaliation against intellectual property might give small countries more leverage at large economies to comply with WTO rulings. However, even if Antigua were to be allowed to legally break US patents, trademarks, and copyrights, the legitimate copies thus produced would only be eligible for sale in the country's tiny internal market. It is not clear whether Antigua could, for instance, export copied drugs to say, the EU, without breaching international or domestic rules.

### **Eight Members ask for compensation**

The potential cost to the US of maintaining its current course jumped dramatically last month when seven other Members notified the WTO that they would seek compensation if Washington moved to alter its services commitments. The identity of the countries is confidential, as is the compensation they might seek. However, gambling industry news sources suggest that apart from Antigua, they are the EU, Costa Rica, India, Canada, Macau, Australia, and Japan.

Gambling companies based in Costa Rica and the UK have been hit hard by the US ban, losing business as well as share value.

Mark Mendel, lead counsel to the Antiguan government on the case, welcomed the requests for compensation. "I think the US is going to have to reassess what they're doing," he said.

Antigua's estimate of USD 3.443 billion in potential losses was conservative, Mendel said, suggesting that the EU and other countries could claim substantially higher sums. This, he suggested, could ultimately push the cost of compensation so high that the US would have to face changes to unrelated services sectors -

affecting access to crucial markets - merely to protect its domestic gambling sector.

US officials have expressed scepticism about the merits of the compensation claims.

There is little precedent to indicate how the compensation claims might unfold. GATS Article XXI has been used only once in the WTO's history, when the EU made new market-opening commitments as compensation for withdrawing certain concessions that had been offered by some of the ten countries that acceded to the bloc in 2004. In theory, compensation should be offered under the GATS; the rules do not mention whether this could be done under other WTO agreements.

Procedurally, if governments cannot agree on compensation, they can seek arbitration.

Mendel insisted that Antigua still wanted to negotiate a solution with Washington, but had "hit a stone wall" with the US trade representative's office.

ICTSD reporting; "Costa Rica Joins Growing list of WTO members for USA Online Poker Online Gambling Ban Compensation," POKERPAGES.com, 24 June 2007; "US faces seven compensation claims in WTO online gambling case," CASINO CITY TIMES, 25 June 2007.

---

## **DEBATE ON PRIVATE SECTOR STANDARDS CONTINUES IN SPS COMMITTEE**

Some Members have suggested that governments should take responsibility for the WTO-compatibility of voluntary standards set by companies within their borders.

At a meeting of the Committee on Sanitary and Phytosanitary (SPS) Measures from 27-28 June, Egypt, Argentina and several other developing countries said that governments were, in fact, responsible for the standard-setting activities of private sector entities operating within their territory. With this debate, meeting participants continued a two-year old debate on private sector standards, which started when the small island state of St. Vincent and the Grenadines first drew attention to the challenges it faced when trying to access the EU market due to strict standards set by commercial supermarket chains (see BRIDGES Weekly, 6 July 2005, <http://www.ictsd.org/weekly/05-07-06/story3.htm>).

The EU questioned the notion of countries being responsible for private-sector standards, noting that there had been no disputes to clarify the issue yet. Other major developed country importers declined to comment on the issue at this point.

Some developing countries cautioned that the remit of private sector standards was expanding, now touching on issues such as production methods, environmental concerns including 'food miles' (i.e. carbon emissions associated with transport of agricultural products), and labour and fair trade issues. This led to high expenses and further complications for their exporters, they said.

Also at the SPS meeting, Argentina introduced a paper (G/SPS/W/211, available at <http://docsonline.wto.org>) criticising the standards for pesticide residues set by importing countries. The problem was first raised in the context of the agreed international standard-setting body Codex Alimentarius (jointly managed by UN-agencies FAO and WHO), and now brought to the SPS Committee because of its bearing on trade. Backed by a number of developing countries, including Brazil, Chile, Cuba and Pakistan, Argentina said that Members are setting standards stricter than those agreed at Codex, or setting standards not yet covered by Codex.

Argentina called for the development of more Codex standards in this area, noting as an example that only 30 percent of pesticides used in Argentina were covered by international standards. The paper further called for scientific justification for the strict standards being imposed, stressing that developing countries lack the resources to prove the contrary. The paper also stressed that the additional costs related to complying with the pesticide standards falls on countries that do not subsidise their agricultural sector -- something the importing countries setting the standards often do. As such, market entry is already being constrained.

Under the SPS Agreement, WTO Members are allowed to set a standard of human and plant protection that they consider 'appropriate,' but any trade restrictions must be backed by a scientific risk assessment and applied only to the extent necessary to attain the stated goal.

The next meeting of the SPS Committee will take place from 17-18 October. The Codex Alimentarius Commission is currently meeting in Rome (from 2-7 July) and will deal with pesticide residues, among other issues.

Marinus PC Huige of the Netherlands was elected new chair of the SPS Committee.

ICTSD reporting.

## IN BRIEF

### INDIA TO LOWER WINE AND SPIRITS TAXES, PRE-EMPTING POTENTIAL WTO RULINGS

The Indian government moved this week to scrap a range of taxes on imported wines and spirits that had become the object of complaints at the WTO.

In separate cases, the EU and the US have alleged that India was imposing a series of additional charges on foreign wines and spirits, pushing total taxes as high as 550 percent - well in excess of the country's bound ceiling rate of 150 percent. These charges, they argue, have effectively barred their exports from one of the world's largest and fastest-growing markets.

WTO Members agreed on 20 June to establish a panel to investigate the US's claims. A separate dispute panel had been created in April to examine the EU's virtually identical complaint (see BRIDGES Weekly, 25 April 2007, <http://www.ictsd.org/weekly/07-04-25/wtoinbrief.htm#2>). Adding to the pressure on New Delhi, Australia, Chile, Japan, and Vietnam recently became 'third parties' to the US' claim. This allows them to present views and concerns to the panel. WTO law does not, however, give third parties the right to retaliate in disputes.

India's move pre-empts any rulings in the two cases. Citing finance ministry officials in New Delhi, Associated Press reports that India will remove the 'additional customs duty' but maintain tariffs ranging from 20 percent to 150 percent on spirits, and will even raise the basic duty on wines from 100 percent to 150 percent.

Both the EU and the US are waiting to see how the new duties are implemented before deciding whether to pursue their cases. State-level liquor taxes in India might still irk would-be exporters. Nevertheless, EU whisky makers welcomed the announcement, as did Indian importers.

Notably, New Delhi's decision to lower the duties was announced only weeks after Indian liquor baron Vijay Mallya purchased Scotch whisky producer Whyte and Mackay, a company with a major interest in exporting to India.

ICTSD reporting; "India Lifts Huge Taxes on Alcohol," ASSOCIATED PRESS, 4 July 2007; "Whisky exports set to rocket as India scraps punitive duty," THE TELEGRAPH, 5 July 2007; "Whisky joy as India drops



duties," BBC NEWS, 4 July 2007;"Importers cheer as ACD on spirits is scrapped ," PRESS TRUST OF INDIA, 4 July 2007.

---

## WTO IN BRIEF

---

---

### INDONESIA'S TPR: STEADY GROWTH NOT HIGH ENOUGH TO REDUCE POVERTY, UNEMPLOYMENT

---

Steady economic growth since 2003 has not been enough to reduce Indonesia's poverty or unemployment rates, according to the WTO Secretariat.

The trade policy review noted that 5.2 percent annual GDP growth had not made a dent on poverty or the country's 10 percent unemployment rate. Despite efforts to improve infrastructure and the overall investment climate, the report warned that delayed implementation of key structural measures including tax and labour law approvals could undermine investor confidence, and keep growth at levels inadequate to address unemployment.

The report pointed to agriculture's primary role in poverty alleviation, since it occupies 44 percent of the total workforce. Jakarta has been aiming to preserve food security through self-sufficiency in food staples, particularly rice. Central to this policy is a market intervention to maintain a ceiling price for rice consumers and a floor price for producers. However, the WTO Secretariat noted that a ban on rice imports had contributed to a 30 percent increase in price, and was linked to increased poverty. It reported that the government relaxed the ban to help stabilise domestic rice prices.

Most of Indonesia's merchandise trade was with East Asia, Singapore being the largest ASEAN trading partner and China increasing its share of both exports and imports. Merchandise exports accounted for 30 percent of GDP whereas imports had increased from 18 to 23 percent since 2003.

Indonesia appeared to be following a three-track strategy to international trade negotiations, the review found - multilaterally at the WTO, regionally through ASEAN, and now bilaterally, with Japan.

During the meeting, Members reportedly commended Indonesia's leadership role as coordinator of the G-33, and also its role as an active member of the Cairns Group and the G-20.

Notably, the report found that a series of export prohibitions and licensing requirements had done little to prevent forest over-exploitation and illegal logging (thought to account for 50 percent of timber production). Foreign demand for cheap timber appeared to be overwhelming Indonesia's enforcement capacity, it said.

Members reportedly called for greater services reform, pointing to remaining foreign investment restrictions. They also expressed concern about inadequate infrastructure, particularly in transport, as well as arbitrary customs valuation procedures, lack of transparency on the part of customs authorities, discriminatory sanitary and phyto-sanitary (SPS) measures, and restrictive import licensing in the textile sector.

ICTSD reporting; "Steady Economic Progress with Investor Confidence Key to Future Prospects," WTO PRESS RELEASE, 27 and 29 June 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: 5 - 11 July

5-6 July, Geneva, Switzerland. GLOBAL COMPACT LEADERS SUMMIT. The Leaders Summit is a triennial gathering of the top executives of all Global Compact participants and other stakeholders to discuss the Global Compact and corporate citizenship at the highest level, and to produce strategic recommendations and action imperatives related to the future evolution of the initiative. For more information email Birgit Errath at [errath@un.org](mailto:errath@un.org). internet: <http://www.globalcompactsummit.org/>

9-11 July, Brussels, Belgium. GLOBAL FORUM ON MIGRATION AND DEVELOPMENT. The First Global Forum on Migration and Development, organised by the Government of Belgium, aims to discuss the mutually beneficial interaction of migration and development. The forum will start with a day dedicated to meetings of civil society representatives, which will be followed by governmental discussions on 10 and 11 July. The Forum will focus on opportunities and risks of labor mobility; remittance and diaspora resources; and the promotion of partnerships. internet: <http://www.gfmd-fmmd.org/lang.html>

9-13 July, Amsterdam, the Netherlands. INTERNATIONAL COPYRIGHT LAW SUMMER COURSE. This course, organised by the Institute for Information Law at the University of Amsterdam, is intended for lawyers, academics, and other professionals involved in copyright law. Participants will learn about current issues of copyright law, examined from a comparative law perspective and in the light of recent international and regional agreements. Participants will also have access to comprehensive course materials, consisting of the most relevant international, European, and American legislative documents, case law, and other background materials. internet: <http://www.ivir.nl/courses/icl/icl.html>

12 July, Geneva, Switzerland. SECOND MEETING OF THE WSSD GLOBAL PARTNERSHIP FOR CAPACITY BUILDING TO IMPLEMENT THE GHS. The second meeting of the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) Partnership, organised by the World Summit on Sustainable Development, will review current progress and consider the actions and resources needed to further strengthen the Partnership towards 2008 and beyond. The meeting will also provide an opportunity to showcase support of the Partnership and for GHS capacity building; provide preliminary or confirmed support of future activities; and propose next steps and identify further opportunities for GHS capacity building and implementation. internet: [http://www.unitar.org/cwg/ghs\\_partnership/index.htm](http://www.unitar.org/cwg/ghs_partnership/index.htm)

### 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.

5 July: WTO INTRODUCTION DAY

5-6 July: COMMITTEE ON TECHNICAL BARRIERS TO TRADE

9-13 July: RULES WEEK

9 July: COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES - SPECIAL MEETING

9 July: COUNCIL FOR TRADE IN GOODS

9-11 July: NEGOTIATING GROUP ON RULES

10 July: COMMITTEE ON TRADE AND DEVELOPMENT

10-12 July: WORKSHOP ON THE WTO AGREEMENT ON GOVERNMENT PROCUREMENT

### Other Upcoming Events

17-19 July, Geneva, Switzerland. INTERGOVERNMENTAL GROUP OF EXPERTS ON COMPETITION LAW AND POLICY. Every year, the UN Conference on Trade and Development hosts the Intergovernmental Group of Experts on Competition Law and Policy, a forum for consultations on competition issues of common concern to member states and informal exchange of experiences and best practices. At this year's meeting, participants will discuss competition at national and international levels, competition policy and the exercise of intellectual property rights, and criteria for evaluating the effectiveness of competition authorities. internet: <http://www.unctad.org/competition>

26-29 July, Ravello, Italy. 11th INTERNATIONAL CONFERENCE ON AGRICULTURAL BIOTECHNOLOGIES: NEW FRONTIERS AND PRODUCTS - ECONOMICS, POLICIES AND SCIENCE. Topics that will be discussed at this conference include the impact of agricultural biotechnology on international trade, biotechnology and developing countries, and regulation of biotechnology. The conference is being organised by the International Consortium on Agricultural Biotechnology Research (ICABR), Catholic University of Leuven, CEIS- University of Rome, Rutgers University, and the Economic Growth Center, Yale University. internet: <http://www.economia.uniroma2.it/conferenze/icabr2007/>

12-18 August, Stockholm, Sweden. WORLD WATER WEEK IN STOCKHOLM. The World Water Week in Stockholm is the leading annual global meeting place for capacity-building, partnership-building, and follow-up on the implementation of international processes and programmes in water and development. The week will include plenary sessions, seminars, workshops, side events, and other special activities. internet: <http://www.worldwaterweek.org/>

27-31 August, Vienna, Austria. UNFCCC DIALOGUE AND KYOTO PROTOCOL AWG 4. This will be the fourth workshop of the 'Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention' and the fourth session of the Ad Hoc Working Group on Further Commitments for Annex I parties under the Kyoto Protocol (AWG). internet: [www.unfccc.int](http://www.unfccc.int)

---

## RESOURCES

CLIMATE CHANGE, COMPETITIVENESS, AND TRADE. Chatham House, May 2007. This publication by Chatham House's Richard Tarasofsky and Aaron Cosbey of the International Institute for Sustainable Development (IISD) focuses on the nature of concerns over competitiveness and considers the relationship between the Kyoto Protocol and the World Trade Organization. The authors consider "what trade law might be applicable to each of the various possible instruments states might use to address climate change and competitiveness concerns." The report is available at <http://www.chathamhouse.org.uk/viewdocument.php?documetid=8773>

**BANKING ON VALUE: A NEW APPROACH TO CREDIT RISK IN AFRICA.** United Nations Environment Programme Finance Initiative and the African Task Force, 2007. This study highlights how banks in South Africa and Nigeria are increasingly factoring environmental, social, and governance (ESG) issues into their credit risk assessment for corporate and consumer loans. According to the study, the driving forces behind this development include the requirements of multilateral banks and lending bodies to meet ESG standards, as well as 'reputational risks' reflecting concerns by banks over being linked to an environmentally unfriendly or socially damaging project. The study is available at [http://www.unepfi.org/fileadmin/documents/banking\\_on\\_value.pdf](http://www.unepfi.org/fileadmin/documents/banking_on_value.pdf).

**GLOBAL TRENDS IN SUSTAINABLE ENERGY INVESTMENT 2007.** United Nations Environment Programme, June 2007. Climate change worries together with high oil prices and increasing government support have fueled soaring investment rates in the renewable energy and energy efficiency industries, according to this study. Noting that renewable energy sectors such as wind, solar, and biofuels attract the highest investment levels, the study also stresses that renewable energies are no longer subject to the whims of fluctuating oil prices, but are becoming generating systems of choice for many power companies and countries. The study is available at [http://www.unep.org/pdf/SEFI\\_report-GlobalTrendsInSustainableEnergyInvestment07.pdf](http://www.unep.org/pdf/SEFI_report_GlobalTrendsInSustainableEnergyInvestment07.pdf).

**SUDAN POST-CONFLICT ENVIRONMENTAL ASSESSMENT.** United Nations Environment Programme, June 2007. This assessment report argues that environmental degradation is among the root causes of decades of social strife and conflict in Sudan. Investment in environmental management will be a vital part of the peace building effort, says the report, noting that the most serious concerns are land degradation, desertification and deforestation. The assessment report is available at [http://sudanreport.unep.ch/UNEP\\_Sudan.pdf](http://sudanreport.unep.ch/UNEP_Sudan.pdf).

**POLICY BRIEF: GLOBALISATION, JOBS, AND WAGES.** The Organisation for Economic Cooperation and Development, June 2007. Economists have long maintained that open trade and investment policies can be a powerful force for raising living standards. The recent dynamism of China and India demonstrates how trade and investment liberalisation can make a major contribution to raising incomes and reducing poverty in developing countries. But while trade raises overall income and welfare, some workers may lose from globalisation. This policy brief, a shortened version of the OECD's recently released Employment Outlook report, examines how economic globalisation has positively and negatively affected the world's workers. The policy brief is available at <http://www.oecd.org/dataoecd/27/1/38796126.pdf>

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

**BRIDGES Weekly Trade News Digest**© is published by the International Centre for Trade and Sustainable Development (ICTSD), <http://www.ictsd.org/>.

Contributors to this issue of **BRIDGES Weekly Trade News Digest** are Trineesh Biswas, Jonathan Hepburn, Paige McClanahan, Malena Sell, Knirre Sogaard, and Mahesh Sugathan. Editor: Trineesh Biswas. Director: Ricardo Meléndez-Ortiz. ICTSD is an independent, not-for-profit organisation based at: 7, chemin de Balexert, 1219 Geneva, Switzerland, tel: (+41-22) 917- 8492; fax: 917-8093. Excerpts from **BRIDGES Weekly Trade News Digest**© may be used in other publications with appropriate citation. Comments and suggestions are welcomed and should be directed to the Editor or the Director.

**BRIDGES Weekly Trade News Digest** is made possible through the generous support of the Government of the United Kingdom (DFID) and ICTSD's core donors including the Governments of Finland, Denmark, the Netherlands and Sweden; Christian Aid (UK) and NOVIB (NL). BRIDGES Weekly also benefits from support for the BRIDGES series of publications from donors including the Rockefeller Foundation and the Swiss Agency for Development and Cooperation. ISSN 1563-003X

