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### LEAD STORIES

#### DOHA: DRAFT AG TEXT MEETS LUKEWARM RESPONSE, NAMA LIKELY TO BE CHILLIER

WTO Members are in agreement that the parameters for a potential Doha Round agriculture deal identified last week by the chair of the negotiating committee constitute a "good starting point" for further talks in September.

However, they appear to agree on little else, at least in public: at a 23 July meeting organised for them to provide initial reactions to the draft negotiating text, most suggested that the outline would be greatly improved if revised in the direction of their respective bargaining positions.

Similarly, in remarks elsewhere, top officials from several influential Members said that the text was a reasonable basis from which to proceed, while expressing misgivings about some of the specific concessions it called for - or deliberately left vague.

EU Trade Commissioner Peter Mandelson was particularly positive, praising the agricultural negotiations chair and his industrial goods counterpart for having "distributed the pain fairly." Indian Commerce Minister Kamal Nath said that the text was a "good basis for starting intensive negotiations," even though it was "not a text of convergence."

During the meeting of the agriculture negotiating group, sources said that Switzerland described the agriculture text as "sufficiently good not to be rejected but sufficiently deficient not to be adopted."

The discussion led the chair, Ambassador Crawford Falconer (New Zealand) to remind delegations that they would need to yield on longstanding demands if the talks were to move forward. Agence France Presse reports that he said that Members' reactions "were largely predictable."

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**US: low teens for OTDS "out of the question"**

The farm tariff and subsidy cuts called for in the paper divided Members along well-established fault lines.

For instance, the US' lead agriculture negotiator, Joe Glauber, told journalists in Geneva on 24 July that a cap in the 'low teens' on overall trade-distorting farm support (OTDS) was "out of the question," reports Thomson Financial.

Falconer's text had called for Washington to lower the OTDS spending limit to \$13 billion or \$16.4 billion (see BRIDGES Weekly, 18 July 2007, <http://www.ictsd.org/weekly/07-07-18/story1.htm>). Either would be lower than the \$22.5 billion ceiling the US has tabled formally, as well as the \$17 billion figure it has broached unofficially.

Yet, during the committee meeting, the G-20 reiterated its demand for a ceiling on US trade-distorting support in the "very low teens." Moreover, even the lower end of the range cited by Falconer remains above the \$11 billion that the US has actually spent in recent years, because high commodity prices resulted in lower farm payments.

Indian Commerce Minister Kamal Nath said last week that Washington would need to cap trade-distorting farm spending at comparable levels before he could contemplate the substantial reductions to India's applied industrial duties that the US is demanding, as opposed to cuts in its much higher theoretical maximum tariff levels.

"I would be happy with any reduction the US is willing to do on their applied levels" of farm spending, Nath told Bloomberg in an interview. "Even one dollar from what they are applying today, it's a deal. We'll move forward."

The US argues that even an OTDS entitlement well above \$11 billion would constitute a real reduction because payments have more than exceeded that level for five of the past eight years. Nath countered that Washington was simply seeking to maintain the policy space to boost spending in the future, should commodity prices fall. "A development round doesn't mean you reserve the right to keep your subsidies and increase your distortion," he said.

Glauber, the US farm negotiator, also said that the provisions in Falconer's text for extra-deep cuts to cotton subsidies were "not acceptable." With no other specific proposals on the table, the text had incorporated a formula proposed by the so-called 'cotton four' heavily affected by US cotton subsidies -

Benin, Burkina Faso, Chad, and Mali - under which heavily trade-distorting 'amber box' cotton subsidies would be slashed by over 80 percent even if the standard percentage was substantially lower. In contrast, the G-20 has announced support for the idea.

Broadly, Glauber unfavourably contrasted the draft text's provisions on domestic support with the access it offers US farmers to overseas markets (less than what Washington has sought). The US has maintained that it could not lower the subsidy ceiling any further unless its farmers were assured of greater market access elsewhere in the world.

Along with the G-20, the Cairns Group of farm exporters called for reductions in actual farm payments, rather than cuts to the theoretical spending limits.

The EU and Japan said that they would need to be offered substantial tariff reductions in the negotiations on non-agricultural market access (NAMA) in order to contemplate the steep farm subsidy reduction set out for them in Falconer's paper. The G-20 took a different view of this steepness, arguing that both would be left with "considerable amounts of 'water'" between real spending levels and their bound ceiling amounts. The developing country bloc complained that the EU would not even be obliged to fully lock in its ongoing farm subsidy reforms.

The draft text's provisions on 'green box' subsidies were also inadequate, said the G-20, which argued that the terms would not do enough to ensure that such payments - which account for the majority of EU and US farm support - remain "non- or minimally trade-distorting."

**Market access: groups reiterate priorities**

Farm tariff cuts, and the extent to which countries will be allowed to shield their agricultural markets from certain imports, have been among the most contentious issues in the negotiations.

On the paper's provisions for access to developed country markets, the Cairns Group, the US, and several developing countries focused on the issue of 'sensitive products', which Members will be able to shield from the full force of tariff reduction in exchange for expanding import quotas. Their broad goal was greater market access, with more certainty about potential hindrances to imports. The G-20, for instance, said that the 4 or 6 percent of tariff lines eligible for designation as 'sensitive' as per Falconer's text was too many, and the permitted deviation of up to two-thirds from standard tariff reduction obligations "excessive."

The G-20 noted that the draft negotiating text, which contained two options for many of the subsidy and tariff reductions, called for rich countries to cut the highest farm tariffs by 66 or 73 percent. This was lower than the 75-percent reduction demanded by the group's own proposal. However, the paper contained an option for developing countries to cut farm tariffs by an average of 40 percent (the other corresponded to the 36-percent cut that the G-20 had already proposed). The developing country alliance also called for a cap on all farm tariffs, something that was absent from Falconer's paper.

In contrast, the G-10 group of countries with heavily protected farm sectors such as Japan and Switzerland, said that the draft text's market-opening requirements already went too far. These countries oppose the notion of a cap on farm tariffs.

EU Commissioner Mandelson, for his part, told ministers from EU member states on 23 July that Falconer's text presented them "with a manageable situation within our red lines, if we can reach a mid-point outcome in the range tabled for cuts." He added that Brussels would have to "fight hard" on the amount of additional market access to give to sensitive farm products. In Geneva the following day, however, top EU agriculture negotiator Jean-Luc Demarty offered a different analysis, saying that "some parts of the paper overstep the red line."

### **Call for 'full modalities'**

Falconer's text was deliberately vague about a range of developing country-specific issues, on the grounds that insufficient progress made it impossible to draw any useful conclusions about potential compromise. These included the number and treatment of the 'special products' that developing countries will be able to shield from tariff cuts to safeguard food and livelihood security and rural development concerns, the 'special safeguard mechanism' to shield farmers from import surges, and the apparently conflicting demands of countries seeking deep tariff cuts for tropical products and states fearing the erosion of trade preferences for the very same crops.

The G-20 called for "filling in the gaps" in these unspecified areas. The group said that 'full modalities' - a full suite of rules determining how Members will calculate their commitments to cut tariffs and subsidies - would be necessary to proceed to a final-stage negotiation based on a draft text for a potential accord.

In a direct reference to Falconer's allusion that he still believes that all 'special products' should be subject to at least some tariff reduction, the G-33 bloc of

developing countries reiterated that they wanted some of these commodities to be exempt from cuts altogether. China, which belongs to the G-33, made a similar point, expressing disappointment "that the chair continues to rule out necessary exemptions" for some especially critical special products.

Many developed and developing countries argue that the worth of the various market access offers cannot be properly assessed, and that the offers themselves cannot be measured against each other without greater clarity about the different flexibilities.

The least-developed countries asked for permission to use the 'special safeguard mechanism' even though they will not be required to cut tariffs as part of the Doha Round. Some of these countries have low bound tariff rates and would like to be able to raise applied rates beyond the bound ceiling levels in order to shield domestic farmers from import surges.

Sources say that the group of small and vulnerable economies (SVEs) reported satisfaction with the special treatment spelled out for them in Falconer's text. This included an average tariff cut of 24 percent - two-thirds that of other developing countries - as well as lower reductions in each tier of the tariff reduction formula.

The agriculture chair's text refrained entirely from setting out provisions on the contentious issue of extending geographical indication protection to products other than wine and spirits. The EU and Switzerland reiterated their demand for doing so in the negotiating committee, arguing that such an extension could provide farmers of for example, Parma ham, with price premiums to compensate for subsidy cuts and increased competition from imports. Yet 'GI extension' is opposed by 'new world' countries such as Argentina and the US, which produce fewer foods linked to specific places. Nevertheless, Mandelson expressed confidence that other WTO Members now understood that it was a "political 'must have'" for Brussels.

Intensive negotiations on the draft text are expected to start from 3 September, after the WTO's August holiday. The agriculture chair said that he would issue one or more revised versions of the paper, in an effort to help Members salvage a compromise.

### **NAMA text likely to get colder reception**

In comparison to Members' lukewarm reaction to Falconer's draft agriculture paper, the companion text on industrial tariffs appears set to meet with a much cooler reception.

At time of writing on 25 July, WTO Members were scheduled to discuss the draft text put together by Canadian Ambassador Don Stephenson, who chairs the negotiations on non-agricultural market access (NAMA).

The tariff cuts set out in the text would cap industrialised country manufacturing tariffs at 8 or 9 percent, with across-the-board reductions to all duties, while placing the ceiling for developing countries at between 19 and 23 percent.

Sources report that the NAMA-11 group of developing countries, which includes South Africa, Brazil, and India, finds this disproportionate both in terms of what is on offer in the agriculture negotiations, as well in its requirement for developing countries to cut their bound tariffs more steeply than developed ones.

In the agriculture committee session, some developing countries had called for a cap on farm tariffs, on the grounds that the mathematical formula used in the industrial goods negotiations will place a hard ceiling on the duties levied on nearly all manufactures.

The NAMA-11 and the G-90 group of developing countries were reportedly working on a joint statement criticizing Stephenson's text. Many members of the G-90 are not among the 31 developing countries that will have to apply the standard tariff reduction formula. Least-developed countries are exempt from reduction commitments. The text suggests different approaches for determining the future tariff ceilings of small economies and countries with a high proportion of unbound tariff lines.

Meanwhile, the US and the EU - and, more vocally, industry groups in both places - have suggested that Stephenson's text does not go far enough in seeking tariff reduction by developing countries.

The NAMA chair, too, has said that he would revise his text based on negotiations in September.

Without an accord by early 2008, the Doha Round is expected to go into hibernation for years, if not indefinitely, as election campaigns get underway in the US and then in India.

ICTSD reporting; "US has mixed feelings on WTO farm trade proposals: negotiator," THOMSON FINANCIAL, 24 July 2007; "India Wants 'One Dollar' More From U.S. for WTO Deal, Nath Says," BLOOMBERG, 19 July 2007; "WTO farm trade proposals get lukewarm welcome," 24 July 2007, AGENCE FRANCE PRESSE,

24 July 2007; "Countries pledge another WTO farm talks push," REUTERS, 24 July 2007.

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## RWANDA BECOMES FIRST COUNTRY TO TRY TO USE WTO PROCEDURE TO IMPORT PATENTED HIV/AIDS DRUGS

Nearly four years after WTO Members agreed on a procedure for poor countries to import generic versions of patented medicines that they are unable to produce themselves, Rwanda has become the first country to notify the global trade body that it intends to use it.

The notification (IP/N/9/RWA/1), filed on 19 July, is the first in several steps that will have to be taken before the affordable drugs reach patients in the African country.

Rwanda informed the WTO that it expected over the next two years to import 260,000 packs of the HIV/AIDS drug TriAvir, manufactured in Canada by Apotex, a major generics producer headquartered in Toronto. It specified, however, that it might modify this quantity, as "it is not possible to predict with certainty the extent of the country's health needs." As a least-developed country (LDC), Rwanda did not have to prove that it lacked manufacturing capacity. Under WTO rules, LDCs are not required to provide patent protection to pharmaceutical products until 2016.

The WTO Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) allows governments to issue 'compulsory licences' - effectively suspending patents - to permit the generic production of essential medicines without the consent of patent holders. However, it stipulates that drugs thus produced should be "predominantly" for the domestic market, providing little to help countries that have little or no pharmaceutical manufacturing capacity. To address this, governments agreed in August 2003 on how to waive the domestic consumption requirement to allow poor countries to import drugs produced under compulsory licence elsewhere.

Supporters of the '30 August Decision' hailed it as proof that the trading system could take into account humanitarian and development concerns. However, critics have consistently charged that the administrative procedures set out in the deal are unnecessarily onerous, as a result of which not a single pill has been exported under the accord thus far.

Requirements set out in the WTO decision and Canada's domestic legislation implementing it mean that the way is not yet clear for Apotex to actually start exporting pills to Rwanda, explains Richard Elliott, deputy director of the Canada HIV/AIDS Legal Network.

First, Apotex will have to acquire a licence to produce the medicine Rwanda wants to import. TriAvir is a fixed-dose combination of the patented antiretroviral drugs zidovudine, lamivudine, and nevirapine. Patents on the components are held by GlaxoSmithKline and German-based Boehringer Ingelheim. Fixed-dose medications, which combine multiple drugs in a single pill, make treatment regimes simpler and thus easier to expand to more patients.

Apotex has already secured regulatory approval in Canada for its own version of the combination, as part of a thus-far unsuccessful attempt in cooperation with Médecins Sans Frontières (MSF) to export the drug under the 30 August Decision.

One of the reasons that Apotex has not managed to receive a licence to produce and export the drug, said Elliott, was that the Canadian implementing legislation required a formal request from a would-be importing country for the compulsory licence process to be set in motion.

Indeed, one of the stumbling blocks that MSF faced in Canada was that no developing country government it worked with was willing to be named as seeking to import generic versions of patented drugs. This may have been due to fear of censure: Brazil and Thailand were heavily criticised by the pharmaceutical industry as well as by some governments when they recently used other flexibilities in TRIPS rules to suspend patents on drugs for domestic public health programmes (see BRIDGES Weekly, 9 May 2007, <http://www.ictsd.org/weekly/07-05-09/story4.htm>).

Following Rwanda's WTO notification, Apotex is believed to be seeking a voluntary licence - permission to manufacture generics in exchange for a negotiated royalty payment - from the two companies that hold the patents related to TriAvir.

As per Canadian law, Elliott said, if they cannot come to an agreement within 30 days, Apotex would be eligible to apply to the country's patents commissioner for a compulsory licence and the determination of a royalty to be paid to the patent holders.

If Apotex ultimately receives a compulsory licence to produce TriAvir for export to Rwanda, before shipments can start, Canada would have to provide a notification of its own to the WTO TRIPS Council, detailing

information about the licence, such as the two-year duration, the products involved, and the importing country.

Apotex itself would have to create a website indicating the quantity of medicine being supplied to Rwanda, as well as details of the distinguishing characteristics - packaging, shaping, or colouring - aimed at ensuring that the generic drugs are not illegally diverted into markets where they might displace the full-price name-brand versions. During the course of its work with MSF to try to export TriAvir, Apotex already developed alternative packaging that has been approved by Canadian regulators.

After the WTO notification and the creation of the Apotex website, the path would become clear for 260,000 packs of generic TriAvir to be sent to Rwanda over a period of two years.

Elliott, of the Canada HIV/AIDS Legal Action Network, spoke to Bridges from Toronto and welcomed Rwanda's WTO notification of intent to import, but noted that the long time gap since August 2003 suggested that something was amiss with the functioning of the waiver.

"This is great, and we hope it comes to pass," he said, referring to the Apotex drug being sent to Rwanda. However, "this actually proves that the system is much more cumbersome than it needs to be." Elliott's group is pushing for "streamlining" Canada's implementing law - currently even more stringent than the 30 August Decision - to make it easier for compulsory licences to be issued more quickly, and for more drugs.

Notably, Rwanda could have avoided the use of the 30 August Decision altogether by importing the same combination treatment at comparable cost from India, where the components are not patented. Indian pharmaceutical companies have already been approved by the World Health Organisation and the US government to export generic versions of the fixed-dose combination. In fact, after it proved unable to secure the export of TriAvir from Canada, MSF sourced the drug from India for its treatment projects. Rwandan government officials could not be reached for comment.

MSF said that it was pleased that Rwanda appeared poised to benefit from the Apotex combination drug. However, it cautioned that even if Rwanda does import the HIV/AIDS drug from Canada via the WTO flexibility, this alone would not be enough to instantly resolve broader concerns about the relationship between intellectual property protections and access to medicine. This compulsory licence would be "just for one country, for one product, and for a limited period,"



pointed out Alexandra Heumber, a Brussels-based spokesperson. "Unless several other countries do the same, for several key drugs, for a sufficient amount within a short time period," the first import notification would not signal a decisive shift.

Wide-scale generic competition helped lower prices for many of the older HIV/AIDS drugs, as they did not receive patent protection in pharmaceutical-producing developing countries like India. However, MSF has found signs that the cost of newer medicines with fewer side effects may be substantially higher, in part because developing countries had to start enforcing pharmaceutical product patents in January 2005, thus limiting the extent of generic production.

WTO Members agreed in December 2005 to make the 30 August Decision a permanent amendment to the TRIPS Agreement. However, this would require ratification by about 100 governments before 1 December. Only seven have approved the agreement thus far. The amendment is being hotly debated in Europe, where the European Parliament has refused to ratify it until EU member states commit to do more to help developing nations manufacture and import medicines at affordable rates (see BRIDGES Weekly, 18 July 2007, <http://www.ictsd.org/weekly/07-07-18/story3.htm>).

In any event, the 30 August Decision is not the only avenue available under WTO rules for exporting drugs produced under compulsory licence, noted James Love, the director of Knowledge Ecology International.

Love observed that since 2005, Italy has issued compulsory licences for three drugs, and authorised the export of the generics thus produced to other EU member states. Italy did this by invoking TRIPS Article 31(k) provisions allowing compulsory licensing to combat anti-competitive practices, after patent holders Glaxo and Merck refused to licence their products to Italian generics manufacturers. The standard export restrictions did not apply, since that article waives the domestic market requirement in cases where licences are issued to remedy anti-competitive measures.

The generic medicines Italy exported within the EU's customs union are used primarily to treat prostate disease, migraine headaches, and male pattern baldness.

ICTSD reporting; "New Report Raises Concerns Over Price of New AIDS Drugs," VOICE OF AMERICA, 23 July 2007.

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## OTHER NEWS

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### STEADY PROGRESS ON TRADE FACILITATION, THOUGH DEVELOPING COUNTRIES RUFFLE FEATHERS

WTO Members are making "steady progress" on reducing red tape and other obstacles to the movement and transit of goods, the chair of the WTO negotiations on trade facilitation said at the end of a week of talks on 20 July.

Chair Ambassador Eduardo Ernesto Sperisen-Yurt (Guatemala) said that particularly valuable work had been done with regard to identifying countries' trade facilitation needs and priorities, development aspects, cost implications, and inter-agency cooperation. Technical assistance is at the heart of the trade facilitation negotiations: the mandate is unique in that Members will not be required to implement new commitments unless they receive the technical assistance necessary to do so.

Specifically, Members are charged with clarifying GATT articles on the freedom of transit for goods from other Member states (Article V), trade-related fees and formalities (Article VIII), and transparency in the regulation and administration of trade regulations (Article X).

Trade facilitation is one of few areas in the troubled Doha Round talks on which negotiators have reported consistent progress, but this too has been slowed by the persistent impasse on the core issues of agriculture and industrial goods trade.

The recent session of the negotiating group ran for five days - three longer than normal. The chair suggested that this would let delegations discuss each others' proposals in greater depth, and facilitate the participation of capital-based experts. He also added that it would give the Negotiating Group a new dynamic and inject additional momentum into the debate. One delegate said that the presence of capital-based officials allowed for a more detailed examination of customs-related issues with which many Geneva-based trade negotiators are unfamiliar.

As in recent sessions of the committee, negotiators discussed the contents of a potential WTO agreement on trade facilitation, including revised proposals for the legal phrasing of specific articles. Issues discussed included a Turkish proposal (TN/TF/W/120/Rev.1) on 'advance rulings', which would allow traders to seek binding decisions by customs authorities in advance of

the export or import of goods, as long as they fulfil certain conditions. Also considered was a US proposal (TN/TF/W/144/Rev.1) on accelerated customs clearance proposals for 'expedited shipments', which, based on Members' queries, it defined as those from exporters that use security, logistics, and tracking technology to track and control shipments at every point during their conveyance (see BRIDGES Weekly, 13 June 2007, <http://www.ictsd.org/weekly/07-06-13/story5.htm>).

China (TN/TF/W/148) called for Members to use risk management techniques "to reduce, to the extent possible, physical inspections on goods." Specifically, they called for low-risk goods to be given accelerated clearance. Import inspection procedures have in recent weeks been in the spotlight in the US, after a series of revelations of tainted food and toy imports, most prominently from China.

With regard to the freedom of transit, delegates looked at a joint proposal by Turkey and Georgia (TN/TF/W/146), which argued that transit traffic quotas and permits along with discriminatory road and transit charges constituted a barrier to fair and competitive trade. Arguing that bilateral arrangements were insufficient to address the issue, they called for all WTO Members to establish quota-free road transit regimes, with charges applied equally to national and foreign transporters irrespective of origin. Delegations sought additional clarifications, to which Turkey promised to respond.

### **Developing country proposal criticised for exemptions**

The most significant discussion, according to one developing country trade delegate, centred on a proposal for technical assistance and capacity building (TN/TF/W/147) jointly tabled by several developing country alliances, including the 'core group' (comprising Bangladesh, Botswana, Cuba, Egypt, India, Indonesia, Jamaica, Kenya, Malaysia, Mauritius, Namibia, Nepal, Nigeria, the Philippines, Rwanda, Tanzania, Trinidad & Tobago, Uganda, Venezuela, Zambia, and Zimbabwe), the Africa Group, the group of African, Caribbean and Pacific (ACP) states, and the least-developed country (LDC) group.

The proposal classifies developing countries' trade facilitation commitments into two categories: a minimal set, determined by each government, to be implemented upon the entry into force of the agreement, and a broader set to be implemented after the conclusion of a transition period of a to-be-determined number of years. This transition period, the proposal stipulates, should be long enough for

countries to plan and carry out the steps necessary to become able to implement the commitments. Neither set of commitments would become mandatory implementation if governments continued to lack implementation capacity.

Furthermore, as a form of special and differential treatment, the proposal called for allowing developing countries to identify specific derogations from binding trade facilitation commitments, similar to the GATS-style limitations and restrictions Members are allowed to place on services liberalisation obligations.

In addition, the proposal delineated two types of technical assistance and capacity building (TACB), calling for donor governments' commitments to be clear and operational. The first referred to TACB prior to signing on commitments, including assistance aimed at helping developing countries fully participate in the negotiations and to assess their own implementation capacity. The second comprised TACB post-entry into force of commitments.

As to the issue of how to determine whether developing countries have acquired the capacity to implement trade facilitation commitments, the proposal would leave it to the developing country alone, or for it to work out bilaterally with donors. It broached the concept of an 'early warning' mechanism under which developing countries would be able to inform the WTO about delays in implementing commitments.

In the case of LDCs, the proposal reiterated the need for TACB efforts to be tailored to individual countries. It also left the determination of capacity acquisition solely to each LDC Member.

The proposal, whose sponsors account for a majority of WTO Members, also called for the creation of a 'Trade Facilitation Technical Assistance and Capacity Building Support Unit' within the WTO Secretariat that match TACB resources provided by donors with the needs identified by developing country Members.

Trade sources report that the paper faced strong criticism from developed country Members such as the EU and Switzerland, as well as some developing countries like Costa Rica, for seeking too many exemptions for developing countries on the implementation of key parts of a multilateral agreement.

Switzerland expressed opposition to the notion of optional commitments within an agreement, while Costa Rica reportedly considered it a 'step backwards', noting that the three GATT articles under discussion were already part of multilateral rules. Generally, developed countries were unhappy with letting developing

countries 'self-assess' implementation capacity, instead preferring a multilateral mechanism, sources said.

The Philippines countered that the objective was not to create opt-outs, but to ensure that countries get the technical assistance they need to implement the agreement.

According to one delegate, despite the overall optimism that trade facilitation remained a an area in which progress had been substantial enough to allow negotiators to proceed soon to talks on a draft agreement text, the developing country submission represented a certain hardening of attitudes. The official added that it would be difficult for the sponsors of the paper to agree to rapid movement in the talks without meaningful concessions from the predominantly developed countries that wanted negotiations on trade facilitation in the first place.

The next session of the trade facilitation negotiating group is tentatively scheduled for 1-3 October.

ICTSD reporting; "Bush Forms Cabinet Committee to Study Safety of U.S. Imports," NEW YORK TIMES, 19 July 2007.

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## IN BRIEF

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### UNCTAD: POOREST NATIONS MUST FOCUS ON TECHNOLOGY

The world's poorest nations continue to fall behind the rest of the world in terms of technology and innovation, according to a new UN report.

The Least Developed Countries Report 2007, published by the United Nations Conference on Trade and Development (UNCTAD), maintains that least developed countries (LDCs) - defined as those with very low incomes, weak human assets, and high economic vulnerability - are likely to "face deepening marginalisation in the global economy" unless they take concrete steps to retain skilled workers and promote technological progress within their borders.

"We need to adopt new policies which should be orientated to reducing the technology gap and diversifying the economy," said Charles Gore, the report's lead author, as reported by the Guardian. "The least developed countries have a huge problem when it comes to expanding their productive employment. It is

no use just investing in human capital without policies which develop employment opportunities to encourage workers to stay."

The report recommends that LDC governments, together with partner development agencies, put a stronger emphasis on science, technology, and innovation policies; strive to achieve more stringent intellectual property rights protections at the multilateral level; and implement measures to stop the 'brain drain' of skilled workers moving overseas. Moreover, the report emphasises that LDCs must diversify their economies and work to achieve greater technological advancement in the agricultural, manufacturing, and services sectors.

The report further contends that, in contrast to the conventional arguments by economists, international trade, foreign direct investment, and intellectual property licencing have not in fact helped narrow the knowledge gap between rich and poor countries. In order for LDCs to make true economic progress, the report argues, innovation must come from within.

The 50 nations defined as LDCs are home to 767 million people worldwide; 34 of those countries are located in Africa, 10 in Asia, five in Oceania, and one in the Caribbean.

For more information on the report visit <http://www.unctad.org/Templates/WebFlyer.asp?intlItemID=4314&lang=1>

ICTSD reporting; "The best move out, so the rest lose out," THE GUARDIAN, 20 July 2007; "Knowledge, tech key for poor," UPI, 20 July 2007; "World's poorest lagging in technology despite FDI boom - UN," REUTERS, 20 July 2007.

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## WTO IN BRIEF

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### EU BACKS OFF CHALLENGE TO INDIAN WINE, SPIRITS TARIFFS

The EU has suspended its WTO challenge to India's duties on wine and spirits, following New Delhi's decision earlier this month to eliminate a series of taxes on wine and spirits imports (see BRIDGES Weekly, 4 July 2007, <http://www.ictsd.org/weekly/07-07-04/inbrief.htm#1>).



Prior to the recent change in policy, a series of charges had pushed total taxes on foreign wines and spirits had reached as high as 550 percent, well above the New Delhi's bound ceiling tariff rate at the WTO of 150 percent. After years of complaining that Indian spirits taxes were out of step with WTO rules, the EU and the US both launched separate but similar disputes against New Delhi at the global trade arbiter.

The tax removal marks New Delhi's first measurable response to the challenges. However, the Indian government at the same time raised its basic wine tariff from 100 percent to 150 percent, within its legal WTO limit, a move that displeased the EU.

The EU will put its challenge on hold for up to a year, during which time the 27-member bloc will "continue to monitor the situation on the ground to make sure that no new discriminations appear at state level," according to an official statement from the European Commission. In India, liquor taxes may be imposed at both the state and national levels.

Under WTO rules, the three-member dispute panel that was established in April to investigate the case can stay in place for up to one year (see BRIDGES Weekly, 25 April 2007, <http://www.ictsd.org/weekly/07-04-25/wtoinbrief.htm>).

Thanks to the high tariffs, India, the world's largest whiskey market, currently imports only 15 percent of the wine and less than 1 percent of the spirits consumed in the country.

Exports of spirits from the EU to India totalled \$32.9 million in 2005; following the recent tariff removal, however, that number is expected to grow dramatically.

It remains unclear whether the US will similarly suspend its WTO challenge to the Indian duties following the recent tariff removal.

"EU halts WTO's India alcohol case," BBC NEWS, 16 July 2007; "EU Drops WTO complaint over India's liquor duties," BLOOMBERG, 16 July 2007; "EU welcomes India's move on wine, spirits trade," REUTERS, 4 July 2007.

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## CTE: NO MOVEMENT UNTIL PROGRESS ON AG, NAMA

The Doha Round negotiations on trade and environment saw little movement last week, as Members' attention focused on the potential draft

compromise deals tabled by the chairs of the agriculture and industrial market access talks.

The 18 July formal meeting of the special session of the Committee on Trade and Environment (CTE) marked the first under the new chair, Ambassador Mario Matus (Chile).

Members did not discuss the liberalisation of trade in environmental goods and services, part of the Doha mandate on trade and the environment.

On the relationship between WTO rules and specific trade obligations present in multilateral environmental agreements (MEAs), Norway expressed support for a 2006 proposal by the EU submission recognizing no hierarchy between the two (TN/TE/W/68, available at <http://docsonline.wto.org>). The EU suggested that Members try to find a compromise between this text and a proposal from Australia and Argentina (TN/TE/W/72/Rev.1) for the talks to yield little more than a report summarising discussions in the committee. New Zealand said it also would table a proposal on the issues, pending an outcome in the negotiations on agriculture and industrial market access.

Trade sources said that informal discussions on information exchange and observer status of MEAs at the WTO (mandated by Paragraph 31(ii) of the Doha Declaration) centred on new informal draft language introduced by the chair.

Members broadly agreed on the need to include UNEP in the information exchange sessions, particularly in recognition of the role the programme played in capacity building. Brazil suggested that UNCTAD be granted similar access.

The observership issue was more contentious. The EU, which wants to see observership granted to a number of 'core' MEAs (TN/TE/W/66), stated that the chair's text did not reflect the mandate, questioning the value of its list of questions aimed at determining how to grant observership status (see BRIDGES Weekly, 4 April 2007, <http://www.ictsd.org/weekly/07-04-04/wtoinbrief.htm#3>). Argentina, echoed by many other delegations, called for confining the debate to observership criteria.

Matus emphasised that he did not intend the suggestion to serve as a 'negotiating text', and that further discussions in informal mode would be required to move the issue forward.

The next formal special session of the CTE is scheduled to take place on 1 October.

ICTSD reporting.

## EVENTS & RESOURCES

### EVENTS

For a more comprehensive list of events in trade and sustainable development, please refer to ICTSD's web calendar at: <http://www.ictsd.org/cal/index.htm>. If you would like to submit an event, please email [events@ictsd.ch](mailto:events@ictsd.ch).

#### Coming Up: 26 July - 1 August

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/>

31 July - 1 August, New York, New York. CLIMATE CHANGE AS A GLOBAL CHALLENGE. This thematic debate will be convened by UN General Assembly President Sheikha Haya Rashed Al Khalifa following a request from the European Union and the Association of East Asian Nations New York Committee. The first day of the debate will consist of two interactive panel discussions, bringing together experts on the impact of climate change, mitigation and adaptation strategies, new technologies, and finance. During the second day, there will be a general discussion open to all; Secretary-General Ban Ki-moon's Climate Change Envoys will participate in the opening of the discussion. internet: <http://www.un.org/ga/president/61/follow-up/thematic-climate.shtml>

#### 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.

26 July: TRADE NEGOTIATIONS COMMITTEE

27 July: GENERAL COUNCIL

#### Other Upcoming Events

22-25 August, Jaipur, India. BUILDING SKILLS ON COMMERCIAL & ECONOMIC DIPLOMACY - TRAINING SEMINAR FOR MID-LEVEL CIVIL SERVANTS AND EXECUTIVES. This training seminar, organised by the India-based CUTS Institute for Regulation and Competition, will impart knowledge and information on multiple aspects of commercial and economic diplomacy in the context of globalisation and economic relations among countries. The seminar will feature presentations from experts of various backgrounds, who will conduct sessions with case studies and hands-on exercises. The seminar is aimed for mid-level government officials (from trade and other economic ministries), representatives from intergovernmental and multilateral agencies, and other stakeholders such as business persons. internet: [www.circ.in/pdf/BrochureCDS02.pdf](http://www.circ.in/pdf/BrochureCDS02.pdf)

27-31 August, Vienna, Austria. UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 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)

3-14 September, Madrid, Spain. EIGHTH SESSION OF THE CONFERENCE OF THE PARTIES TO THE UN CONVENTION TO COMBAT DESERTIFICATION (COP-8). COP-8 of the CCD will consider the following agenda items: programme and budget for the biennium 2008-2009; review of the implementation of the Convention; review of the report of the Committee on Science and Technology; review of activities for promotion of relationships with other relevant organisations; follow-up to the World Summit on Sustainable Development; Regional Coordination Units; and review of the 2006 International Year of Deserts and Desertification activities. internet: <http://www.unccd.int/>

4-5 October, Geneva, Switzerland: WTO PUBLIC FORUM 2007: "HOW CAN THE WTO HELP HARNESS GLOBALISATION?" The WTO Public Forum 2007 will address how the WTO can help harness globalisation. The sub-themes are: 1. Global Governance: the challenges that interdependence and globalisation present and the role the WTO can play to ensure that globalisation works to the benefit of all peoples; 2. Coherence: (a) the need for national and international coherence; and (b) the contribution of the WTO to the construction of a coherent multilateral system; 3. Economic Growth: trade as a vehicle for growth and development; and 4. Sustainable Development: the interaction of trade and sustainable development.

internet:

[http://www.wto.org/english/forums\\_e/public\\_forum2007\\_e/forum07\\_e.htm](http://www.wto.org/english/forums_e/public_forum2007_e/forum07_e.htm).

3-14 December, Bali, Indonesia: THIRTEENTH CONFERENCE OF THE PARTIES TO THE UNFCCC AND THIRD MEETING OF THE PARTIES TO THE KYOTO PROTOCOL. UNFCCC COP 13 and Kyoto Protocol COP/MOP 3 will coincide with the 27th meetings of the UNFCCC's subsidiary bodies and the Ad Hoc Working Group on Further Commitments from Annex I Parties under the Kyoto Protocol. COP 13 and COP/MOP 3 are also expected to be accompanied by a UNFCCC Dialogue on Long-Term Cooperative Action on Climate Change and various other events. For more information contact: tel: +49-228-815-1000; fax: +49-228-815-1999; email: [secretariat@unfccc.int](mailto:secretariat@unfccc.int). internet: <http://www.unfccc.int>

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## RESOURCES

NEGOTIATING THE REVIEW OF THE DISPUTE SETTLEMENT UNDERSTANDING. By Thomas Zimmerman. Cameron May, 2006. This study analyses recent negotiations to reform the WTO's Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU). The study offers an overview and analysis of the negotiating process, as well as a detailed review of specific proposals on stage-specific and horizontal issues of the dispute settlement mechanism. The author also explores the difficulties faced by negotiators in completing the DSU review, and makes policy recommendations for further negotiations. The study is intended to serve as a point of departure for other researchers who wish to explore further specific aspects of the DSU review. To this end, references available on the DSU review exercise are comprehensively documented. The report is available at [http://www.zimmermann-thomas.de/publikationen/zimmermann\\_2006\\_book\\_dsu.pdf](http://www.zimmermann-thomas.de/publikationen/zimmermann_2006_book_dsu.pdf).

NEGOTIATING ECONOMIC PARTNERSHIP AGREEMENTS: AGRICULTURE. By A. Alpha and V. Fautrel. The European Centre for Development Policy Management, 2007. The aim of this short paper is to identify the key issues at stake for the agricultural sector in the context of the Economic Partnership Agreements (EPAs) being negotiated between the European Union and six African, Caribbean and Pacific (ACP) regional groupings. This paper offers an overview of the trade or trade-related provisions, highlighting their relevance for the ACP and identifying a range of policy options for the negotiations. This analysis is then used to pinpoint various negotiating options for the ACP countries, including the development dimension of EPAs. In conclusion, the paper identifies provisions that could be adopted to construct an "ideal" EPA. The report is available at [www.ecdpm.org/inbrief13c](http://www.ecdpm.org/inbrief13c).

INTELLECTUAL PROPERTY PROVISIONS IN EUROPEAN UNION TRADE AGREEMENTS: IMPLICATIONS FOR DEVELOPING COUNTRIES. By Maximiliano Santa Cruz S. International Centre for Trade and Sustainable Development, June 2007. The Economic Partnership Agreement (EPA) negotiations between the EU and the African, Caribbean and Pacific (ACP) countries offer an important opportunity for consolidating and expanding market access in the ACP states. However, many stakeholders are concerned about the potential impact of TRIPS-plus provisions on the use of flexibilities and exceptions that have been designed to safeguard certain public interests and development objectives. This study offers a detailed analysis of EU policy regarding intellectual property rights in bilateral and regional trade agreements, with the ultimate goal of contributing to a better understanding of the proper role of intellectual property in a knowledge-based economy. The report is available at <http://www.iprsonline.org/resources/docs/Santa-Cruz%20Blue20.pdf>.

A COMPARISON OF THE BARRIERS FACED BY LATIN AMERICAN AND ACP COUNTRIES' EXPORTS OF TROPICAL PRODUCTS. By Jean-Christophe Bureau, Anne-Celia Disdier, and Priscila Ramos. International Centre for Trade and Sustainable Development, June 2007. The purpose of the study is to shed a light on the reality of market access conditions for tropical products in the main import markets, namely the EU, the US, Japan and Canada, for the African, Caribbean, and Pacific (ACP) group of states, as well as the group of Latin American countries. To do so, the paper focuses not only on most favoured nation (MFN) tariffs but also analyses trade under different preferential schemes as well as bilateral free trade agreements. The paper, however, does not enter in a discussion on the pros and cons of multilateral liberalisation versus a more selective

liberalisation under preferential schemes. Nor does it address prospects for the possible evolution of such schemes in the near future. The report is available at [http://www.agtradepolicy.org/output/ictsd/bureau\\_disdie\\_r\\_amos.pdf](http://www.agtradepolicy.org/output/ictsd/bureau_disdie_r_amos.pdf).

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