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meet at WTO headquarters in Geneva next month to discuss how the global financial crisis is affecting developing countries' ability to participate in international trade.

The Director-General also announced that he planned to set up a task force within the WTO Secretariat to examine how the current financial turmoil is affecting other areas of the organisation's work.

Many developing countries rely on trade finance - loans tied directly to cross-border trade transactions - to help fund their participation in the global market. But with many banks short on cash, such loans have become harder to come by.

"The purpose of our next meeting will be to review how the international market for trade financing is faring in view of the current very difficult conditions on international financial markets," Lamy said in a letter to the invitees, which was dated 10 October. The meeting will also consider "how to maintain and improve the availability and accessibility of trade finance facilities at affordable rates for developing countries, especially low-income countries," the Director-General said.

Lamy extended invitations to the meeting, which is set for 12 November, to the heads of the World Bank, the International Monetary Fund, the Inter-American Development Bank, the African Development Bank, the Islamic Bank, and the European Bank. Five commercial banks - Citigroup, JP Morgan, HSBC, the Royal Bank of Scotland and Germany's Commerzbank - were also invited, as were several major trade insurance agencies.

Roughly 90 percent of the US\$ 14 trillion of world trade involves some type of credit, insurance or guarantee; trade finance is thus considered the lifeline of trade, especially for poor nations that lack other resources to help finance their imports and exports. And because banks are more willing to lend when traded goods are available as collateral, trade finance allows poorer and less creditworthy countries to get greater access to international loans.

But even before the current crisis hit, many poor countries complained of a lack of affordable trade credit, while many emerging economies said that their

### LEAD STORIES

#### LAMY CALLS FOR SUMMIT ON TRADE FINANCE AMID GLOBAL CREDIT CRISIS

WTO Director-General Pascal Lamy has called for the heads of international financial institutions, regional development banks and major commercial banks to

access to loans was overly vulnerable to shifts in the mood of the market.

Trade finance to developing countries rose sharply in the 1990s, but collapsed when the East Asian financial crisis hit in 1997-98. Many developing countries worry that the current crisis will similarly interrupt trade finance flows.

Brazil was the first to sound the alarm last week, when it sent a letter to WTO Members on 6 October calling for the organisation to address the issue. A lack of trade finance has already hit home in Brazil: data released by the Brazilian Central Bank on 1 October showed a 50-percent drop in export credit available to Brazilian companies for the second half of September. The value of loans taken out to finance exports in the third week of the month amounted to one quarter of the average figure for the first half of September.

Lamy noted in an address to WTO Members that the World Bank had announced that its International Finance Corporation, or IFC, would increase its trade financing programme by US\$ 500 million. But while he called the move "a welcome announcement," Lamy said that more work would be needed.

While the WTO does not itself offer any trade financing, its Working Group on Trade, Debt and Finance, which was created in 2001 after a number of developing country Members expressed frustration with the availability of trade credit, is meant to serve as a sounding board for their concerns.

But the 10 October letter demonstrated the Director-General's belief that the global trade body should be closely involved with trade finance debates outside its own walls. "Although the WTO does not provide trade finance as such, it is a matter of great interest to many of our member governments and at their request we have offered to play a convening and advocacy role and to encourage international cooperation in this field," Lamy said in his invitation letter. "Clearly, it is of very considerable importance to the WTO at present to ensure that all necessary steps are taken to facilitate their participation in international trade."

### **Doha and the financial crisis**

Lamy has also recently driven home the importance of moving forward in ongoing negotiations toward striking a global deal to cut tariffs and subsidies: "The global financial crisis...has given added importance and urgency to our work," Lamy told WTO Members on 14 October.

A global trade deal could serve as a bulwark to protectionist policies, which countries sometimes turn to in times of crisis, Lamy has said.

"The role of the WTO as a firewall against protectionist responses is thus vital," Lamy told WTO Members last week. "It is not so much about any direct effect on markets as for sustaining confidence in global co-operation and institutions."

And such confidence can be hard to come by in times of financial turmoil. In an address to the Finance Commission of the French Assembly earlier this month, Lamy described the WTO as "in short, a global insurance policy for a global real economy."

The WTO "provides the real economy, the everyday economy, with a collective insurance policy against the disorder caused by unilateral actions, whether open or disguised; a guarantee of security for transactions in times of crisis, henceforth an element of resilience that is vital to the running of a globalised world," Lamy said.

But multilateral negotiations towards a global trade deal at the WTO have stalled repeatedly in recent years; the most recent setback came with the collapse of ministerial-level talks in July. And although trade officials have repeatedly tried to breathe new life into the talks in recent weeks, those efforts have borne little fruit.

The Director-General acknowledged as much in his address on 1 October. "It is clearly necessary to face the reality that the Round cannot be concluded this year," he said. But he added that he still believed that Members could reach an agreement on modalities - the skeleton of any deal - by the end of 2008. "The collective commitment to the Round remains strong," he said. "There should be no doubt - we are working on Plan A, establishment of modalities."

### **A New Bretton Woods?**

In related news, Lamy on Monday supported a call made by British Prime Minister Gordon Brown for an overhaul of the world financial system, Reuters reported.

"If a new Bretton Woods means re-looking at the governance of the world economy, I'm fine with that," Lamy said, referring to the 1944 meeting in Bretton Woods, New Hampshire that led to the establishment of the World Bank and the International Monetary Fund.

Earlier on Monday, the British Prime Minister had publicly called for a massive reform of the global

financial system. On Wednesday, Brown announced that world leaders would convene before the end of the year to discuss what how such a system might be structured.

"It's formidably complex," Lamy told journalists on Monday, Reuters reported. "How can you build a system of international governance in global finance with central banks who are independent from government?" Lamy asked. "Who will sign? Will it be a treaty? What sort of commitment? Who will monitor all this? - plenty of ideas for the agenda!"

But the world trading system might offer some important lessons for financial governance, Lamy suggested last week. "The WTO has over 60 years of solid experience in regulating trade opening," Lamy said in address to WTO Members. "At a time when there are renewed calls for a better regulation in the financial area, the WTO system provides an example of how the lessons of history and experience have led to the construction of a system of international governance."

ICTSD reporting; "WTO chief backs call for new Bretton Woods meeting," REUTERS, 14 October 2008.

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## OTHER NEWS

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### SPS COMMITTEE HEARS FROM CHINA, MOVES FORWARD ON PRIVATE SECTOR STANDARDS

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The WTO Committee that deals with trade measures related to food safety and animal and plant health has heard from China on the recent melamine contamination of Chinese milk products. Aside from more specific concerns on measures that affect trade, the committee also outlined a roadmap for addressing private sector standards, heard concerns over new international standards, and endorsed technical assistance for developing countries' development.

With around 300 delegates in attendance, the 43rd meeting of the Committee on Sanitary and Phytosanitary Measures (the SPS committee), held on 8 and 9 October at WTO headquarters in Geneva, was one of the largest ever convened. The committee was preceded by a workshop on technical assistance to developing countries to implement SPS standards, held on 6 October, and two informal consultations, on special and differential treatment and a review of the operation and implementation of the SPS agreement, both held on 7 October.

The SPS agreement is intended to allow governments to protect human, animal, and plant life or health by restricting trade. Trade restrictions implemented by Members must be based on scientific assessment and not used as a front for unfairly discriminatory or protectionist policies. Such standards are garnering more weight as tariffs and other traditional barriers to trade are lowered.

### China defends melamine-free exports

China used the meeting to acknowledge the global concern sparked over the illness of 54,000 children and death of four babies in China, which has been attributed to milk containing melamine, a chemical substance that artificially raises a product's protein content in nutritional analyses. The Chinese delegation reported that its government was making enormous efforts to deal with the problem. Greater regulations were introduced on 10 September, which were further tightened ten days later, and since then no contamination has been discovered, the officials said.

However, China asked that any import bans that Members impose be in compliance with international guidelines on scientific risk assessment and official notification, among other things. More than 30 countries have limited imports of Chinese dairy products, and in some cases more than dairy products, since the contamination was detected, the Associated Press reported.

Members also raised concerns about other health-related trade restrictions at the meeting, including 'mad cow disease' and 'novel' food regulations by the EU.

Bovine Spongiform Encephalopathy (BSE or 'mad cow disease') was again on the SPS agenda. Canada noted concern that beef import restrictions under Korea's revised Livestock Epidemic Prevention Act may violate the SPS agreement. Together Canada, the EU, Uruguay, Switzerland and the World Organisation for Animal Health (OIA) stressed that many countries enforce import restrictions that are too strict and out of step with OIE recommendations. Furthermore, it was argued that many countries are not applying the idea of 'regionalisation' set out in the SPS agreement. This provision recognises that, while waiting for an entire country to be declared free, regions can be free from a disease and so have restrictions lifted from trade.

Peru, with the support of the Philippines and several Latin American countries, raised another health-related matter criticising new European food regulations. The EU argues it requires assurance that traditional foods exported to Europe do not present health risks and, as such, suppliers must prove that traditional or ethnic

products are safe from historical evidence of consumption over a large region.

But the complainants contended that the proposed regulations are too burdensome on suppliers and that the EU had not notified the SPS committee of the new regulations. In response, the EU said that revision of the regulation is under discussion in the European Parliament and that its main concern was with extracts or food supplements, rather than with entire fruits or vegetables.

### **Discussion on private sector standards gains momentum**

Despite ongoing debate surrounding the committee's decision to address private standards, delegates at the meeting decided to move forward on the issue by starting to analyse specific standards applied to individual products. A report, with input from relevant international organisations, compiling and analysing information from Member's on specific products whose trade has been identified as being affected by private standards will be produced.

The strategy for how to proceed was developed from Members' discussions earlier in the week, as well as responses to a Secretariat questionnaire on these issues (G/SPS/W/230).

The issue of whether to address private standards was first raised in 2005 and represents new territory for the SPS committee, which traditionally deals with guidelines set by governments or international standards-setting bodies (see Bridges Weekly, 6 July 2005, <http://ictsd.net/i/news/bridgesweekly/6158/>).

A number of developing countries have been highly critical of the use of private sector standards, arguing that they reduce the efficacy of the SPS regime by creating higher standards outside of government control. These countries stress that the standards are arbitrary and end up penalising developing countries and small farmers exporting to the North since they lack capacity and funding. Many developing countries argue that governments should take responsibility for standards set by private-sector actors within their boundaries. Others, especially developed countries, say that private sector standards fall outside the remit of the WTO and its SPS Agreement (see Bridges Weekly, 2 July 2008, <http://ictsd.net/i/news/bridgesweekly/12250/>).

### **Controversy over proposed international standards**

Controversy heated up over a proposed shipping standard intended to prevent the spread of invasive species. China, Japan, Korea and Indonesia objected to a new plant standard proposed by the North American Plant Protection Agency (NAPPO) that would require that all ships be inspected for the Asian gypsy moth before entering territorial waters of NAAPO's member states - Canada, Mexico and the US.

The complainants argued that the standard is not based on science or current international standards and that it is too broad in scope as it covers all of temperate Asia and would subject entire shiploads, instead of just products, to inspection. Therefore they contended that the standard would unjustifiably disrupt trade.

But Canada, Mexico and the US defended the proposal, saying that it is based on proper risk assessment of the Asian gypsy moth that may threaten 600 North American plant species if introduced. Furthermore, the NAPPO members said that they had taken their trading partners' concerns into account by allowing regions to be declared pest free, and that ships entering and moving throughout any of the three countries waters would only need to be inspected once.

### **Embody SPS measures in development assistance, committee says**

The workshop on technical assistance held prior to the SPS meeting raised a theme that was to endure throughout the week: how SPS issues in developing countries can improve trade performance. In particular, delegates suggested that SPS implementation should be brought within the realm of mainstream development assistance. According to a staff member of the WTO Secretariat, this means that development experts should recognise just how important it is to deal with SPS standards in trying to bolster a developing country's capacity to export and ultimately strengthen its economy.

The seventh transitional review of China, required for the first eight years under China's accession agreement, also took place at the meeting. China responded to US and EU questions on certain Chinese trade restrictions such as trade on beef, other BSE related restrictions, pathogen standards, ractopamine residue standards, avian influenza and animal health standards.

The next meeting of the SPS Committee is scheduled to take place from the 25-26 February 2009, during which the third review of the SPS agreement is scheduled to begin.



ICTSD reporting. "Officials: WTO faults China in piracy dispute," THE ASSOCIATED PRESS, 10 October 2008.

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## KOREA TPR: SOUND FUNDAMENTALS, BUT FURTHER REFORM NEEDED TO SUSTAIN GROWTH

Prudent macroeconomic and structural reforms, including liberalisation of its trade and investment regimes, have contributed to Korea's steady growth of 4.8 percent per year since 2004, a WTO assessment of the country's trade policies concluded last week. But the report said that the country's economy could make further gains by improving its investment climate, promoting greater economic flexibility and bolstering productivity and competitiveness.

### Trade drives growth, but FDI inflows drop

Korean per-capita income mirrored GDP growth, rising from US\$ 14,173 in 2004 to over US\$ 20,000 in 2007. Both the country's capital and current accounts enjoy a surplus, with foreign exchange reserves having risen from US\$ 199.1 billion in 2004 to US\$ 258.2 billion at the end of May 2008. And while Korea maintained its position in the high category of the UN human development index, ranking 26th out of 177 in 2006, the country has been forced to come to terms with an aging population and rising income inequality, challenges that the government has tried to address by raising taxes and cutting expenses.

The Trade Policy Review report for Korea (WT/TPR/S/204) reveals the importance of foreign trade as the engine for Korea's economy. According to the report Korea's economy has continued to become more outward oriented, with trade in goods and services rising from 83.7 percent of GDP in 2004 to approximately 90 percent in 2007. China, the EU, the US and Japan were the primary destinations of Korean exports. Korea's imports in 2007 were mainly from China, Japan, the US and Europe.

The report pointed to a downturn in Korean's inflows of foreign direct investment which, despite incentives, declined from 1.2 percent of GDP in 2004 to 0.4 percent of GDP in 2007, a low figure by OECD standards. The drop has been attributed to the increasing cost of doing business in Korea, unduly burdensome regulation, and possibly the appreciation of the Korean won against the US dollar until March 2008.

### Intensive pursuit of Free Trade Agreements

The report noted that despite Korea's commitment to the strengthening and liberalisation of the multilateral trading system, the country has intensively pursued free trade agreements with its major trading partners: Seoul has already penned deals with the US and Singapore, and is working to establish new ones with the EU and some emerging economies. Korea has also extended unilateral trade preferences to more goods from least developed countries just since the beginning of this year, and is an active member of the Generalised System of Trade Preferences.

While Korea has opted to retain developing country status in the WTO and other international fora, the practical relevance remains limited as only Norway and the Russian Federation have accorded Korea developing country preferences. The report notes that the main rationale for retention of developing country status is linked to concerns that the country's agriculture sector remains vulnerable.

### Tariffs remain Korea's main trade policy instrument

Tariffs are still Korea's main trade policy instrument and serve as a major, though declining, source of tax revenue (4.6 percent of total tax revenue in 2006). The average applied rate has remained at the 2004 level of 12.6 percent. The average applied customs duty on agricultural products, at 53.5 percent, is eight times that of the average for non-agricultural goods (6.5 percent). Korea has bound 90.8 percent of its tariff lines: 98.7 percent of agricultural lines (excluding mainly rice) and 89.5 percent of its non-agricultural lines.

Korea also applied Tariff Rate Quotas (TRQs) to agricultural imports with 0 to 50 percent applying to imports within the quota with rates on imports outside the quota reaching 800.3 percent. Rice remains the only product subject to import quotas. Import prohibition and licensing requirements were maintained on health and environmental grounds.

Korea also maintains export restrictions on certain products such as rice (in place since 2007) in order to ensure adequate domestic supplies which, according to the report, also possibly encourage downstream processing. Export restrictions were also in place to protect animal rights and endangered species and to conserve natural resources.

During the course of WTO Members' discussions of the report, some delegations expressed concern about Korea's recourse to anti-dumping actions and to changes in its calculation of dumping margins. Certain

Members also sought clarifications on some aspects of Korea's technical standards and SPS practices.

### **Government procurement used to promote development**

The report noted that, while Korea is a party to the WTO's Government Procurement Agreement, some of its procurement policies, such as those from small and medium enterprises are not covered by Korea's multilateral commitments. It pointed out that government procurement is still used to promote regional and industrial development. The share of foreign suppliers in tendering bids has fallen due to increasing sophistication and competitiveness among Korean suppliers as well as the discontinuation of government purchases financed by international public loans that required competitive tendering.

The report also noted that Korea had strengthened its competition laws. Large Korean conglomerates known as chaebols are now subject to restrictions in terms of share-holdings in domestic firms.

### **Farm subsidies persist**

Agriculture, which accounts for only 3.2 percent of Korea's GDP, continues to receive substantial domestic support, worth up to 3.3 percent of GDP. The review pointed out that Korea's subsidies to agriculture mean that consumers pay more than double average world food prices.

Korea's volume of farm imports has risen despite self-sufficiency in certain products such as rice. The report noted that Korea has used the special safeguard provisions under the WTO Agreement on Agriculture, a measure intended to protect domestic producers from import surges or price declines. Measures are in place to tackle rising food prices as well as facilitate among others, environmentally friendly farming. Direct payments have increased significantly since they were introduced to support production in paddy fields in 2005.

The report also noted that Korea has taken some steps to reduce over-fishing, although fishing subsidies remain in place and total allowable catch in Korean waters has increased. Adjustable duties have also been raised on 9 fish species to protect domestic producers.

While the manufacturing sector's contributions to GDP (27.8 percent) and employment (17.6 percent) have declined, the sector has continued to remain outward oriented, with Korean business conglomerates dominant domestically and maintaining a leading

position globally. The report noted that subsidies to the domestic ship-building industry, which were due to be phased out at the end of 2006, have been extended until the end of 2009. Subsidies to coal destined for power plants have also persisted.

### **The banking sector: the silver lining in services**

The report struck a gloomier note on Korea's services sector, which it said was characterised by relatively low labour productivity (little more than half the level in manufacturing) and declining growth in total factor productivity. The report attributed the weak services sector to insufficient competition as a result of unduly burdensome regulation, the predominance of state owned enterprises, and low foreign presence, among other factors. State ownership persisted in the financial, telecommunications and transport services, the report concluded, and ceilings on foreign ownership existed in several sectors including the telecommunications, air-transport, coastal maritime and financial services.

The report however acknowledged that the services sector would benefit from regulatory reforms in line with Korea's multilateral and regional or bilateral commitments. The banking sector especially would benefit from such reforms, the report said.

While highlighting the soundness of Korea's economic fundamentals, the review nonetheless cautioned that sustained growth will require continued reform aimed at improving Korea's investment climate and addressing labour market rigidities and a decline in labour force driven by an aging population. Together with privatization and continued regulatory improvements, such reforms would increase Korea's economic flexibility and responsiveness to foreign competition. Korea also needs stronger services productivity, which should be underpinned by structural reforms and increased foreign and domestic competition, the report said. In this regard, the report emphasised the importance of successful WTO negotiations in improving the outlook for the Korean economy despite the emphasis that Korea has placed on FTAs.

ICTSD reporting.

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## **IN BRIEF**

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### **CARIBBEAN NATIONS SIGN EPA WITH EU**

At least 13 Caribbean nations signed a far-reaching Economic Partnership Agreement, or EPA, with the EU

at a ceremony in Barbados on Wednesday. The pact covers trade in goods, services and investments, and offers development assistance to the Caribbean countries that join it.

It remained unclear on Wednesday whether Guyana and Haiti, which have opposed the deal in the past, would join the other members of the Caribbean Community and Common Market (CARICOM) in signing the agreement.

The finalisation of the EPA comes after months of intensive negotiations.

"I just feel that we've talked around this thing long enough," Jamaican Prime Minister Bruce Golding said. "I think we must get busy because this is not an agreement that is going to shower down benefits on us ... we have to reach in there and grab those benefits and put ourselves in a position where we can do this and I really want us to focus on that," he said.

Some non-governmental organisations and dissenters within the Caribbean have said that the EPA will hurt Caribbean producers by exposing them to competition with their European counterparts.

The agreement, one of a series of EPAs that Brussels hopes to negotiate with groups of former European colonies, is meant to serve as a continuation of the Cotonou Agreement, a nonreciprocal scheme under which the EU provided duty-free access to most exports from African, Caribbean, and Pacific countries. That agreement expired at the end of last year.

"Caricom to Ink EPA," RADIO JAMAICA, 15 October 2008; "Regions Sign EPA Today," JAMAICA GLEANER, 15 October 2008.

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## IMF: 'WORLD ECONOMY FACING MAJOR DOWNTURN'

"The world economy is now entering a major downturn in the face of the most dangerous shock in mature financial markets since the 1930s," the International Monetary Fund (IMF) said in its annual World Economic Outlook, released earlier this month. The report explained that, although the global economy is facing extremely "tough times" ahead, sound macroeconomic and financial policies can help markets weather the financial storm.

"The situation is exceptionally uncertain and subject to considerable downside risks," the report said. "The immediate policy challenge is to stabilise financial

conditions, while nursing economies through a period of slow activity and keeping inflation under control."

Global growth for 2009 is forecast to be around 3 percent, its slowest since 2002. But there are significant differences in the growth predicted for industrialised countries, on the one hand, and emerging and developing countries on the other. The report projects that while many rich countries will experience zero or negative growth until at least the middle of 2009, emerging and developing countries will drive global economic growth. Yet, with an estimated growth of 6 percent in 2009 compared to 7 percent in 2008, growth in developing-country economies will also fall off.

A loss of confidence in the financial sector has exacerbated the financial crisis, the report found. Despite weathering the oil and commodity price increases surprisingly well, the effects on financial institutions - an overhang of distressed assets, capital shortages and the breakdown of funding markets - are spreading to consumers, with demand sharply slowing. The report suggested that the re-establishment of trust will take time, during which credit will be limited and expensive. Overall, depressed confidence and low credit growth will act as a drag on advanced economies, the IMF concluded.

Emerging countries will also be affected, the report said. In particular, they may be forced to come to terms with reduced exports to advanced economies, more expensive foreign credit, and in some cases even the reversal of capital flows. Those countries with large reserves and strong fiscal positions will fare better than others, the report said.

Yet the WEO report also stressed that while it may be too late for financial and macroeconomic policies to avoid an economic slowdown, smart policies can prevent more dire outcomes. On the financial side this includes programmes to deal with systemic problems, including the provision of liquidity, purchases of troubled assets and recapitalisation with public funds. On the macroeconomic side, monetary and fiscal policies can support growth and break negative feedback loops.

"With the right macro and financial policies-and these policies are available-we can ride the storm, and expect a recovery to start in the course of 2009," IMF Chief Economist Olivier Blanchard said.

IMF economists predict that with action to limit the crisis recovery, albeit a very gradual one, will start in the course of 2009 and strengthen in 2010. Recovery can also be bolstered by the stabilisation of commodity, oil,

and US house prices, and the continued growth of emerging country markets.

But the report is based on the assumption that US and European authorities will take effective actions to stabilise financial conditions. Yet even this baseline projection, the report emphasises, is uncertain.

To access the report, please refer to <http://www.imf.org/external/pubs/ft/weo/2008/02/index.htm>.

ICTSD reporting.

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### TRADE IN WILD PLANTS, TUNA MAKE WAVES AT IUCN CONGRESS

Sustainable management of wild plants and trade in Mediterranean bluefin tuna were tackled at the 10-day IUCN World Conservation Congress, which concluded on 14 October in Barcelona, Spain.

Signatory institutions to an international standard that promotes the sustainable management of wild plants used in medicines and cosmetics have agreed to create an industry labelling system that will allow sustainably harvested products to be easily identified.

The new international labelling system, which was endorsed by the parties to the International Standard for Sustainable Wild Collection of Medicinal and Aromatic Plants (ISSC-MAP), will primarily be used in the herbal products industry. More than 320,000 tonnes of medicinal and aromatic plants are harvested in the wild and traded annually. Many of these are harvested unsustainably and in danger of extinction.

"Industry adoption of the standard will ensure sustainable use and equitable sharing of the world's wild plant resources," said IUCN Director General Julia Marton-Lefèvre. "This new agreement marks a significant step forward in the sustainable use of wild plants important to human health and well being."

Implementation of the new labelling system will take place under the auspices of the Fair Wild Foundation - a joint initiative of the Swiss Import Promotion Organisation (SIPPO), the Institute for Marketecology (IMO), and Forum Essenzia to promote socially and environmentally sustainable use of natural products.

In other trade news from the Congress, key countries voted to close the Mediterranean bluefin tuna industry until stocks can be brought under control. Observers say the 13 October vote came as a surprise, due to the

acquiescence of major exporter Spain and major importer Japan.

The vote also calls for a permanent fishing ban in the months of May and June, when bluefin tuna are spawning.

While the motion is non-binding, it places pressure on the International Commission for the Conservation of Atlantic Tunas (ICCAT), the body that will decide on the future of the fishery in November, to follow suit.

"This year's meeting will be the last real chance for ICCAT to show to the world it deserves the mandate given by society to manage this fisheries and avoid the collapse of the species," says Sergi Tudela of the World Wide Fund for Nature (WWF). "The message that we need to close the fishery now or have few fish and no fishery into the future is now coming from scientists, from consumers, from communities and from countries."

Bluefin tuna quotas in the Mediterranean and Atlantic have been long criticised by environmentalists as unsustainable. Some of these groups - including WWF, Ecologistas en Acción, and SEO/Birdlife - were responsible for getting the tuna motion on the agenda in Barcelona.

The IUCN World Conservation Congress takes place every four years with the goal of promoting dialogue, debate and decision making among some of the world's leading sustainable development actors.

ICTSD reporting.

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### REPORT: ECONOMICS JUSTIFIES UNIVERSAL ELIMINATION OF FISHERIES SUBSIDIES

The marine fishing industry loses up to US\$ 50 billion annually from poor management, inefficiencies and overfishing, according to a new report by the World Bank and the Food and Agriculture Organisation (FAO). The report, titled 'The Sunken Billions: The Economic Justification for Fisheries Reform,' was launched at the World Bank headquarters in New York on 8 October and debated at the recent IUCN World Conservation Congress in Barcelona.

"The real cumulative global loss of wealth over the last three decades period is estimated at \$2.2 trillion," the report said. "The annual loss is equivalent to approximately 64 percent of the landed value of the



global catch, or 71 percent of the value of global fish trade in the base year (2004)."

The report also emphasised that the estimate of economic loss is a conservative one, as it does not account for several important factors such as the costs of subsidies and illegal fishing activities, and the benefits of healthy marine ecosystems.

According to the report, most of the economic losses - which represent the difference between the potential and actual net economic benefits from global marine fisheries - can be attributed to two causes. First, fish stocks are now so depleted that the cost of finding and catching them has risen substantially. Over 75 percent of the world's fish stocks are either fully exploited or over exploited, FAO says.

The second main factor is that, thanks to the fact that there is now an overabundance of ships on the high seas, the redundant investment and operating costs have dissipated the economic benefits of fishing. Indeed, despite technology advancements, the global marine catch has remained stagnant at around 80 million tonnes for over a decade. The current marine catch could be achieved with half of today's global fleet, the report argued. Academics have blamed subsidies for driving the irrational expansion of fishing fleets.

The increasing prices of fuel and food are cited as pressuring governments to provide subsidies to fishing industries. But when considering whether the economic benefits exceed the costs of subsidies, the report said, "in the case of fisheries, the answer is almost invariably 'no'."

Therefore, the report declared that even aside from the well-documented argument for action to prevent massive biological losses, the economic losses alone "justify increased efforts by national economic policy makers to reverse this annual haemorrhage of national and global economic benefits."

Improved governance of marine fisheries could recapture a substantial part of the annual economic loss, the report said. A reduction in fishing effort would increase productivity, profitability and net economic benefits, while rebuilding fish stocks would lead to increased sustainable yields and lower fishing costs.

The report also noted that fisheries reform could also help improve livelihoods and food security among the world's poor. "Fish is the main animal protein for over 1 billion people. It provides livelihoods for over 200 million people and 90 percent of these people are in developing countries."

The report comes at a time when the Doha Development Round's Rules negotiations, which cover negotiations on the reduction of fisheries subsidies as well as dumping and subsidies and countervailing measures, have been at a standstill while negotiations on agriculture and non-agricultural market access negotiations have taken centre stage in attempts to reach modalities, or compromise between the two.

To access this report, please refer to <http://www.fao.org/newsroom/en/news/2008/1000931/index.html>.

ICTSD reporting; "Fisheries waste 'cost billions'," BBC, 8 October 2008.

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## WTO IN BRIEF

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### HUNT FOR NEW WTO CHIEF TO COMMENCE 1 DECEMBER

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The process for appointing a new Director-General of the WTO is set to commence on 1 December, according to the chair of the WTO's General Council, Australian Bruce Gosper.

The current head of the global trade body, Frenchman Pascal Lamy, must tell the General Council Chair by 1 December whether he wants to be considered for a second, and final, four-year term. Lamy has led the organisation since 1 September 2005.

According to the selection process outlined in 2002 (WT/L/509), Members have one month after the start of the appointment process - 1 December - to nominate candidates.

During the following three months, from January to March, contenders will interact with the WTO Membership, discuss their trade views, and have an opportunity to present their vision for the WTO at a formal General Council meeting.

In April and May, the list of nominees will be whittled down through a series of General Council consultations, as those candidates with the least amount of support will be asked to withdraw from the process.

After the final round of consultations, the Chair will submit the candidate most likely to attract consensus to the General Council, formally recommending their appointment as Director General. Voting would only be

resorted to in the event that no consensus is reached. This process will conclude by 31 May 2009.

Lamy, a former EU Trade Commissioner, has so far refused to disclose his intentions on reappointment. But speculation is rife that the current Director-General is not yet ready to throw in the towel on the struggling Doha Round, and may seek re-selection.

While the formal procedures state "there shall be no expectation of automaticity in the reappointment," some say that a decision by Lamy to seek reappointment might discourage others from entering the race.

ICTSD reporting; "WTO launches search for new chief," REUTERS, 14 October 2008; "WTO Members call for more TRIPS talks; Director post may open up," INTELLECTUAL PROPERTY WATCH, 14 October 2008.

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## WTO ISSUES MIXED INTERIM RULING IN US-CHINA PIRACY DISPUTE, SOURCES SAY

A WTO panel has issued a split decision in a dispute between the US and China over the enforcement of intellectual property rights, press sources indicated.

In its confidential interim ruling issued last week, the panel reportedly shot down Washington's argument that Beijing was wrong to allow a certain number of pirated goods to be traded without prosecution.

Washington had argued that Beijing violated the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) by allowing pirates to be in possession of as many as 500 pirated items before being subject to criminal penalties. (Shortly before the US filed its complaint last year, Beijing lowered the threshold for criminal prosecution from 1,000 to 500 copies of pirated items.)

But Washington said that 500 still represented an unacceptably high bar for prosecuting copyright infringements, and that the threshold allowed large-scale commerce to take place in pirated movies and music with the threat of little more than an administrative fine.

The panel's interim ruling did not go so far as to endorse the Chinese threshold. Rather, the panel concluded that the US had not done enough to prove that the Chinese policies are so loose as to allow for piracy and counterfeiting on a 'commercial scale'. The

TRIPs Agreement does not currently offer a specific definition of the term.

But press sources reported that the panel largely agreed with two other US claims. The panel found that China had indeed violated the TRIPs Agreement by refusing to offer copyright protection to goods that had been rejected by Chinese censors. And the panel also reportedly agreed with Washington's assertion that the Chinese government was wrong to auction off confiscated pirated goods from which the trademarks had been removed.

The US requested the establishment of the dispute panel on the piracy issues in April 2007, claiming that China had done too little to enforce copyright and trademark protection on a wide range of goods such as books, CDs, and DVDs (see BRIDGES Weekly, 18 April 2007, <http://ictsd.net/i/news/bridgesweekly/7741/>). At the time, Beijing chastised the US for taking its complaint to the WTO's Dispute Settlement Body, saying that the two countries should instead resolve the matter in a less formal context.

Although the recent ruling is only preliminary - and can be challenged by both parties in the dispute - most final judgments offered by WTO panels do not differ significantly from their interim rulings.

ICTSD reporting; "Officials: WTO faults China in piracy dispute," ASSOCIATED PRESS, 9 October 2008; "China wins 2-1 in US IP case at WTO: source," REUTERS, 9 October 2008; "US claims win in WTO piracy case versus China," ASSOCIATED PRESS, 9 October 2008; "WTO Panel Issues Mixed Ruling in China IPR Enforcement Case," INSIDE US TRADE, 10 October 2008.

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## EVENTS & RESOURCES

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### 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: 16 - 22 October

19-22 October, Manila, the Philippines. THIRD GLOBAL CONGRESS OF WOMEN IN POLITICS AND GOVERNANCE. The theme of this Third Global Congress of Women in Politics and Governance is "Gender in Climate Change and Disaster Risk Reduction." The congress is jointly organised by the Centre for Asia-Pacific Women in Politics (CAPWIP) and the UN International Strategy for Disaster Risk

Reduction (UN/ISDR). The congress will focus on how to strengthen women's involvement in areas of environmental management and governance. For further information, please refer to <http://www.capwip.org/3rdglobalcongress.htm>.

20-24 October, Europe. EUROPEAN FOREST WEEK. European Forest Week 2008 celebrates the contribution of European forests in mitigating climate change, providing wood and renewable energy, securing the supply of fresh water and protecting our environment. During the week of 20-24 October, a series of meetings will be held at the Food and Agriculture Organisation Headquarters in Rome, Italy. The Rome events will bring together hundreds of individuals from governments, non-governmental organisations, research institutions, regional and international networks, United Nations agencies and the private sector. The meetings will provide a unique opportunity for diverse stakeholders and forest managers to share perspectives and seek solutions to some of the most challenging issues facing forests and forestry today: climate change, energy and water. In conjunction with the Rome meetings, a high-profile European Union Presidency event will be held in Brussels (20 October) and a number of national and local events will take place in participating countries throughout Europe. For further information, please refer to [www.EuropeanForestWeek.org](http://www.EuropeanForestWeek.org).

20 -25 October. Rome, Italy. FOURTH MEETING OF THE CONFERENCE OF THE PARTIES TO THE ROTTERDAM CONVENTION (PIC COP-4). For more information, please refer to <http://www.pic.int>.

21- 23 October. Gwangju, Korea. SIXTH UNU & GIST JOINT PROGRAMME WORKSHOP ON SOUND MANAGEMENT OF HAZARDOUS CHEMICALS AND SUSTAINABLE ENERGY. To further the goals United Nations University (UNU) and Gwangju Institute of Science and Technology (GIST) joint programme, the 2008 Workshop will facilitate discussion of emerging environmental and energy issues of among researchers from both developing, and developed, countries, focusing on new research trends in the sound management of hazardous chemicals and sustainable energy. For further information, please refer to, <http://www.ists.unu.edu/>.

22 October, Rome, Italy. MEETING OF THE OPEN-ENDED LEGAL AND TECHNICAL WORKING GROUP FOR THE INTERNATIONAL CONFERENCE ON CHEMICALS MANAGEMENT. The open-ended legal and technical working group for the second 'International Conference on Chemicals Management' (ICCM 2) is provisionally scheduled to take place in Rome, from 22 to 24 October 2008, back-to-back with the 4th meeting of the Conference of the Parties to the Rotterdam Convention. For further information, please refer to <http://www.chem.unep.ch/saicm/OELTWG/Open-ended.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.

16 October: COMMITTEE ON TRADE AND DEVELOPMENT

16 OCTOBER: COMMITTEE ON MARKET ACCESS

16-17 OCTOBER: COMMITTEE ON TRADE AND DEVELOPMENT - DEDICATED SESSION ON RTAS

17 OCTOBER: COMMITTEE ON CUSTOMS VALUATION

17 OCTOBER: COMMITTEE ON TRADE AND DEVELOPMENT - SESSION ON AID FOR TRADE

20 OCTOBER: COMMITTEE ON IMPORT LICENSING

21 OCTOBER: WORKING GROUP ON TRADE AND TRANSFER OF TECHNOLOGY

21 OCTOBER: DISPUTE SETTLEMENT BODY

22+24 OCTOBER TRADE POLICY REVIEW BODY - NORWAY

22 OCTOBER: SUB-COMMITTEE ON LEAST-DEVELOPED COUNTRIES

## Other Upcoming Events

27-31 October, Rome, Italy. FOURTH MEETING OF THE CONFERENCE OF THE PARTIES TO THE ROTTERDAM CONVENTION (PIC COP-4), Rome, Italy. The fourth meeting of the Conference of the Parties is scheduled to take place in Rome, Italy, from 27-31 October 2008. For further information, please contact: Rotterdam Convention Secretariat; tel: +41-22-917-8296; fax: +41-22-917-8082; e-mail: [pic@unep.ch](mailto:pic@unep.ch); Internet: <http://www.pic.int>.

27-30 October, Manila, the Philippines. SECOND GLOBAL FORUM ON MIGRATION AND DEVELOPMENT (GFMD). This second GFMD, chaired by the Government of the Philippines, is expected to build on the achievements and recommendations made at the Brussels Forum 2007 regarding policy and institutional coherence in linking migration and development, but will also place special emphasis on the human face of migration. The theme of the Manila GFMD 2008, 'Protecting and Empowering Migrants for Development', reflects a focus on human rights and empowerment of migrants on the ground. Three roundtable discussions have been proposed on migration, human rights and development; secure legal migration; and policy and institutional coherence and partnerships. For further information, please refer to <http://www.gfmd-fmmd.org/en/press-release/philippines-prepares-way-gfmd-manila-october-2008-report-first-fof-meeting>.

28 October, Brussels, Belgium. **GOING GLOBAL: THE WAY FORWARD.** This conference, organised by **BUSINESSEUROPE**, will focus on European companies' standing in international markets and the role of EU policies in supporting them. The conference will also be an opportunity to present the results of a new study commissioned by **BUSINESSEUROPE** on these issues. It will not only evaluate the implementation of DG Trade's Global Europe Strategy - the core agenda for this area - but also look to the role of other areas of policy at EU and Member State level in improving structural conditions for European exporters. For registration and further information, please refer to [www.business-europe.nl](http://www.business-europe.nl).

3-4 November 2008, Paris, France, **OECD POLICY DIALOGUE ON AID FOR TRADE.** The OECD with the support of the European Commission and the German Marshall Fund of the United States is organising a Policy Dialogue on Aid for Trade on 3-4 November 2008 in the OECD Conference Centre. The main objectives of this two-day event is to discuss between policy makers, practitioners and academics how the developing community can help developing countries to build trade capacity and address supply-side constraints, in order to realise the full benefits from their integration in the world economy. Participation to this event is by invitation only. For more information, please refer to <http://www.oecd.org/trade/afdialogue2008>.

## RESOURCES

**WORLD ECONOMIC OUTLOOK: FINANCIAL STRESS, DOWNTURNS, AND RECOVERIES.** International Monetary Fund (IMF), October 2008. The World Economic Outlook (WEO) presents the IMF staff's analysis and projections of economic developments at the global level, in major country groups (classified by region, stage of development, etc.), and in many individual countries. It focuses on major economic policy issues as well as on the analysis of economic developments and prospects. It is usually prepared twice a year, as documentation for meetings of the International Monetary and Financial Committee, and forms the main instrument of the IMF's global surveillance activities. For further information, please refer to <http://www.imf.org/external/pubs/ft/weo/2008/02/>.

**ENERGY SECURITY.** By Sascha Müller-Kraenner, September 2008. Humanity stands at a threshold: will its shared energy future be peaceful, or will it be threatened by resource wars? How can rapidly depleting resources be managed to the advantage of all, and therefore conflicts averted? How can we avoid irreparable damage to the last areas of untouched natural beauty, all in the name of accessing valuable resources? And how do we arrive at an international energy policy which not only provides safe, economical energy without conflict, but also addresses the all-important issue of climate change: What is the best way to achieve greater energy security? Energy Security addresses all of these questions, arguing for an urgent overhaul of international law and institutions to control relations with countries such as Russia, which own the world's remaining fuel supplies. The book presents alternatives to fossil fuels as two diametrically opposing strategies: the increased use of

atomic energy; and a comprehensive climate protection policy with a focus on energy efficiency and renewable energy. In times of international terrorism, there are heightened concerns about nuclear proliferation, and Energy Security argues that the future must belong to renewable energy. For further information, please refer to <http://www.earthscan.co.uk/?TabId=20572&v=451527>.

**GLOBAL FINANCIAL STABILITY REPORT: FINANCIAL STRESS AND DELEVERAGING MACRO-FINANCIAL IMPLICATIONS AND POLICY.** International Monetary Fund (IMF), October 2008. The Global Financial Stability Report provides semi-annual assessments of global financial markets and addresses emerging market financing in a global context. For further information, and to access this report, please refer to <http://www.imf.org/external/pubs/ft/gfsr/2008/02/index.htm>.

**THE SUNKEN BILLIONS: THE ECONOMIC JUSTIFICATION FOR FISHERIES REFORM.** Food and Agriculture Organisation (FAO) and the World Bank, 8 October 2008. Economic losses in marine fisheries resulting from poor management, inefficiencies, and overfishing add up to a staggering US\$50 billion per year, according to this new World Bank-FAO report. Taken over the last three decades, these losses total over \$US2 trillion, a figure roughly equivalent to the GDP of Italy. But 'The Sunken Billions', a joint study by the two agencies, also argues that well-managed marine fisheries could turn most of these losses into sustainable economic benefits for millions of fishers and coastal communities. For further information and to access the report, please refer to <http://www.fao.org/newsroom/en/news/2008/1000931/index.html>.

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