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LEAD STORIES

RITE OF SPRING: UNCERTAIN WEEKS AHEAD IN PUSH FOR DOHA DEAL

Trade officials in Geneva (and readers of this news bulletin) could be forgiven for feeling a sense of déjà vu. For the third year in a row, WTO Members have aimed to strike a framework Doha Round deal on agriculture and manufacturing trade by spring. For the third year in a row, they are in serious danger of failing to do so.

It is now clear that countries will not be able to reach a so-called modalities deal 'around Easter', with formulae and figures for tariff and subsidy cuts, as well as contentious exceptions to these. This does not come as a surprise to many delegates, who have said since January that the unofficial late-March target was overly optimistic.

What remains to be seen is whether Members will manage to bridge enough differences in the upcoming weeks to put ministers in a position where they would have a realistic chance of concluding an accord, say in April.

Their prospects for doing so took another hit this week, when competitive farm exporters complained that food consumption data provided by large importers including the EU, Japan, and the US would lead to even less market-opening than expected for 'sensitive' products such as rice and sugar. Argentina, Australia, Brazil, New Zealand, and Uruguay had awaited the data for months, and had accused the 'data suppliers' of dragging their feet (see BRIDGES Weekly, 5 March 2008, <http://www.ictsd.org/weekly/08-03-05/story2.htm>).

As part of a potential Doha Round deal, all WTO Members will be allowed to make smaller-than-normal tariff cuts on some sensitive products, in exchange for expanded import quotas. The extent to which these quotas expand will be based on domestic consumption - which is why consumption data from target markets is so significant.

A further wrinkle to the data issue comes from importers' desire to designate products at the more detailed 8-digit level under the 'harmonised system' of tariffs. This would allow them to use their finite

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entitlement of 'sensitive' farm products to pinpoint protection across a broader range of more specific products (protecting only certain cuts of beef rather than beef in general, leaving them free to protect certain types of cheese, for instance).

However, most countries do not possess domestic consumption data at that level of detail. Hence the need for estimates based on various methods, some of them contested, which was a major part of the recent data provision exercise.

The Cairns Group of agricultural exporters had pushed for using broader 6-digit classifications, for which data tend to be available (obviating the need for estimates).

Though technical issues related to domestic food consumption seem arcane, they are of crucial commercial importance. Whether sensitive products are designated at the 6-digit or 8-digit level, or how processed products are included in the calculation of domestic consumption, could result in substantially different market access gains, exporters claim.

One delegate from a Cairns Group country recently told Bridges that "all our gains from the round [in agricultural market access] will be delivered via sensitive products." This was why the group wanted greater clarity on precisely what it stood to gain in terms of agricultural market opening before making concessions elsewhere in the talks, the official explained.

Argentina and the other exporters have said that they would need time to examine the data further, as well as to discuss them with Canada, the EU, Japan, Norway, Switzerland, and the US.

For the past month, Members have been negotiating on the basis of draft deals circulated on 8 February by the chairs of the negotiating committees on agriculture and non-agricultural market access (NAMA).

Déjà vu notwithstanding, Members are better equipped now to agree on subsidy and tariff cuts than they have been in the past two years, as demonstrated in particular by the agriculture text. The text reflected real and necessary progress not made prior to last year on a wide range of lower-profile technical issues in the talks. It also provided a variety of specific options for unresolved matters, thus making it simpler for countries to assess how they stood to be affected.

However, the unresolved issues in the agriculture text remain numerous, led by the 'headline numbers' for future tariff and subsidy levels. And although there has been limited progress towards exploring compromises

on some of these issues, chair Ambassador Crawford Falconer (New Zealand) said on 10 March that it was not enough for him to produce a revised version of his February text.

Meanwhile, deep divisions persist on the industrial goods trade text, with delegates reporting few signs of change whatsoever (see BRIDGES Weekly, 5 March 2008, <http://www.ictsd.org/weekly/08-03-05/story3.htm>).

In theory, discussions on the two texts are supposed to lead to a 'horizontal' process during which senior officials will cross-sectoral tradeoffs between agriculture and NAMA, ultimately culminating in a ministerial-level meeting to hammer out an accord on a limited number of high-profile issues.

But with the slow progress, the timing of a horizontal process, let alone a ministers' meeting, is unclear. A revised agriculture text, with greatly reduced numbers of 'square brackets' on issues requiring resolution would be a prerequisite for such a meeting.

How much more time countries have left to thrash out remaining issues is the subject of some disagreement among the WTO Membership.

At the 10 March meeting of the agriculture negotiations committee, the EU said that Falconer should circulate a revised text before the Easter weekend of 21-23 March, using his own judgment to determine where agreement might lie on unresolved issues. This would be followed by horizontal negotiations with "breakout groups" to focus on agriculture and NAMA individually, enabling ministers to strike a modalities deal by the end of April. EU officials have said that this is necessary in order to conclude the round this year.

Many other delegations, however, insisted that "substance," not artificial deadlines, should guide the talks, rather than artificial deadlines. They said that further revisions of the chair's text should be based on what is actually discussed, not conjecture.

Brazil, like Falconer himself, noted that progress in the talks was crucial to the credibility of the ongoing 'Room E' negotiation process.

The agriculture and NAMA negotiating committees are both scheduled to meet at the end of the week. Sources say that WTO Director-General Pascal Lamy is set to convene a 'green room' meeting of ambassadors from selected delegations on 13 March, in an attempt to determine how to proceed.

In London last week following bilateral talks, Indian Commerce Minister Kamal Nath and EU Trade Commissioner Peter Mandelson both expressed hope that ministers could strike a modalities deal in April, reports Reuters. Nath cautioned that the number of unresolved issues must be "brought down to 15 or so [from 130] for ministers to sit down and take a decision." Mandelson said that making the "progress required in Geneva for a ministerial meeting to take place" was "doable."

If it does not prove doable, however, the script from the last two years suggests what might happen: the target for a modalities deal would slowly slide, first into June, and then to the weeks before the WTO's August summer holiday. Without an agreement, the talks could drift into autumn and the US election season, and then towards 2009, and an ever-more uncertain fate.

ICTSD reporting; "EU and India hope for key trade meeting soon," REUTERS, 7 March 2008.

OTHER NEWS

SLUGGISH START TO WIPO TALKS ON IMPLEMENTING DEVELOPMENT AGENDA RECOMMENDATIONS

Progress was slow during the first meeting of the World Intellectual Property Organisation's newly-minted committee on development issues, as officials managed to discuss how to implement only six of some 45 reform proposals aimed at placing development concerns at the heart of the institution's work.

The sluggish pace of the 3-7 March discussions prompted one developing country delegate to worry that the talks might become bogged down in committee deliberations, as has happened to other issues at WIPO. Another official, from an industrialised country, noted that the process would have to be a long-term one anyway.

WIPO members created the Committee on Development and Intellectual Property (CDIP) last fall, and charged it with developing a work programme for implementing and monitoring some 45 recommendations agreed on after two years of intense debates on the establishment of a 'development agenda' for WIPO. Barbadian Ambassador Trevor Clarke was elected to chair the committee.

The 45 development agenda recommendations cover issues such as technical assistance; ensuring that WIPO norm-setting reflects countries' different development levels, and broadening the institution's focus on issues including public domain, competition, and access to knowledge. They also address technology transfer, assessment and evaluation, and the organisation's mandate and governance. Nineteen of the 45 were identified for immediate implementation since they would not require additional human and financial resources. The resources required to implement the remaining 26 need yet to be evaluated. Governments were unable to agree on WIPO's budget, last year as it became the subject of a row related to the organisation's leadership (see BRIDGES Weekly, 3 October 2007, <http://www.ictsd.org/weekly/07-10-03/story1.htm>).

The six recommendations discussed at the meeting dealt primarily with making the WIPO secretariat's technical assistance more responsive to the concerns and needs of the developing country recipients. Some focused on helping countries boost the capacity of national-level intellectual property authorities to pursue the public interest and to better carry out patent searches.

At the outset of the meeting, several developing countries, in particular the African Group and the 'Friends of Development' group that backed the development agenda from the outset, emphasised that the implementation of the recommendations was even more important than the negotiation phase.

India affirmed that the real challenge was effectively mainstreaming the development dimension in all of WIPO's activities, a task which went well beyond the recommendations.

Many developing countries stressed the need for a holistic approach to implementation, saying that the CDIP should discuss and propose activities for all the 45 recommendations.

The US said that the CDIP must implement proposals in a manner consistent with its specific mandate and the general mandate of WIPO, and specifically with the organisation's regular budgetary procedures. It called for information to be provided immediately for proposals that require additional financial and human resources.

Slovenia, in the name of the EU, insisted that the committee's work programme could not be approved without an examination of similar information for proposals requiring additional financial and human resources.

A number of international organisations and civil society groups also spoke at the meeting. The Office of the United Nations High Commissioner for Human Rights (OHCHR), said it was willing to contribute to the work of the CDIP, drawing on the work of UN human rights bodies that have addressed the impact of intellectual property policies on various human rights.

Non-governmental organisations such as Knowledge Ecology International (KEI), Electronic Information for Libraries (eifl), the Electronic Frontier Foundation (EFF) and Third World Network (TWN) made observations about how to improve transparency and balance in WIPO's technical assistance activities. They also suggested how WIPO could expand its work on public interest and development aspects in relation to intellectual property, such as improving access to knowledge and expanding the public domain.

Following lengthy discussions on procedures and working methods, the committee agreed to address the recommendations one by one, and by each of the six clusters, starting first with the 26 recommendations requiring additional resources, and then the 19 for immediate implementation.

The discussions were based on a number of documents circulated at the meeting, notably the chair's preliminary implementation report describing activities implemented or planned by the WIPO Secretariat with respect to the 19 recommendations identified for immediate implementation, and an initial working document containing a list of the Secretariat's proposals for implementing the remaining 26.

Different countries and groups also put forward suggestions for how the recommendations could be implemented; these included the Friends of Development, the Central European and Baltic States, and the Republic of Korea.

Ultimately, the committee was only able to discuss six recommendations in a single cluster, technical assistance. Five were in the list of 26 (recommendations 2, 5, 8, 9 and 10), and one in the list of 19 (recommendation 1),

At the end of the meeting, the CDIP agreed that for the list of 26 recommendations, the proposed activities, with appropriate modifications, would be sent to the Secretariat for an assessment of human and financial resource requirements before the committee's next session in July. For the list of 19 recommendations, the WIPO Secretariat is now set to furnish a progress report to that meeting, taking into consideration suggested changes and new activities.

Given the slow progress made at this first session, the CDIP decided that the chair would organise informal consultations before the next session in July. These would focus particularly on the recommendations that need additional resources in order to enable the secretariat to make the necessary assessments.

Commenting on the meeting, several delegates noted that the chair's initial working papers had been circulated a short time before the meeting, leaving member states insufficient time to react to them. Many countries seemed not to have been adequately prepared to provide concrete suggestions for activities to implement the development agenda recommendations.

Many developing countries said that the Secretariat's list appeared to be confined to activities it had already undertaken or planned, often without a clear link to the goal of achieving a more balanced, inclusive and development oriented intellectual property system -- the ultimate purpose of the development agenda.

Brazil emphasised that it was not the task of the CDIP to give a "certificate of development agenda compliance" to ongoing activities. Instead, it said that the committee should focus on proposals for future work that would orient WIPO activities towards fulfilling the development agenda's goals.

A delegate from another member of the Friends of Development group expressed concern that the CDIP deliberations might end up like discussions in WIPO's Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore, which have been bogged down in conceptual disagreements and semantic arguments for over seven years.

Many delegates expressed hope that the informal consultations by the chair would help accelerate the development agenda discussions.

ICTSD reporting.

IN BRIEF

EU-INDIA FTA MAY NOT HAPPEN THIS YEAR, SUGGESTS BRUSSELS

The EU is not in a hurry to conclude free trade agreement (FTA) negotiations with India this year, EU officials suggested last week.

India's commerce minister, Kamal Nath, recently expressed hopes for finalising the talks by the year's end.

However, although both sides have acknowledged significant progress thus far, differences have emerged.

"Although goods (agricultural and non-agricultural) have never been a problem area, services, intellectual property rights and government procurement are not the areas for hurried negotiations," said Annette Grunberg, the European Commission's director-general of trade, pointing to areas of discord in the talks.

The same report in the Financial Express newspaper quoted EU trade spokesperson Peter Power as saying that "2008 is not our deadline for concluding negotiations with India."

The two governments planned to meet this month to discuss their negotiation proposals, but talks have now been postponed until April.

Both sides are aiming to liberalise over 90 percent of merchandise trade, with each to have a 'negative list' of goods which on which tariffs would not be lifted.

The EU's initial negative list, released this week, includes 416 items, with 226 of those goods falling under the chemical, pharmaceutical, or plastics categories, reports the Business Standard. Last year India exported \$1.4 Billion in organic chemicals to the EU, as well as \$451 million in pharmaceuticals. India has yet to release its own proposed negative list.

Bilateral trade flows between India and the EU have grown rapidly in recent years, reaching €55 Billion in 2006-2007, up from €28 Billion three years earlier.

EU negotiators are also carefully watching FTA negotiations between India and Japan, which Brussels says could affect the EU interests in the Indian market. New Delhi and Tokyo hope to conclude their FTA talks by 2009 (see BRIDGES Weekly, 14 February 2007, <http://www.ictsd.org/weekly/07-02-14/inbrief.htm>).

The EU's Grunberg has said that Brussels would like to conclude talks with India before Japan does, but is not willing to rush on crucial issues.

India and the EU plan to hold their annual summit in Paris later this year.

ICTSD reporting; "EU won't push India on FTA" FINANCIAL EXPRESS, 3 March 2008. "EU - India Free Trade Agreement hits roadblock" THE HINDU, 4 March 2008. "416 Items in EU's Negative List for FTA" BUSINESS STANDARD, 10 March 2008. "Which India, Mr. Brown?" THE GUARDIAN, 21 January 2008.

RESERVE BANK OF INDIA SPEAKS OUT AGAINST BILATERAL TRADE AGREEMENTS

Experts at India's central bank are worried that the country's expanding number of bilateral trade agreements could harm the domestic finance sector and undermine multilateral liberalisation, an Indian newspaper reported this week.

According to the Business Standard, the Reserve Bank of India (RBI) has been meeting with the Indian finance ministry about trade talks, arguing that more bilateral free trade agreements risk compromising the goal of a liberal banking and finance sector.

For instance, under FTAs, partner countries will be treated more favourably for the purposes of receiving banking licenses, thus nullifying the purpose of the multilateral system, under which all countries would be treated equally.

The RBI has voiced objections to two FTAs: the already-signed 'Comprehensive Economic Cooperation Agreement' (CECA) with Singapore, and the proposed accord currently under negotiation with Japan.

The RBI feels that some banking and financial regulations in the agreement with Singapore still need to be clarified. For instance, India had agreed to treat two sovereign funds owned by the Singaporean government, Temasek Holdings and the Government of Singapore Investment Corporation, as separate entities for the purposes of investment in ICICI, India's largest privately-held bank. Now, each fund holds a 10 percent stake, and is pressuring the Indian government into making the same concession on future investments, which would essentially allow for double the access envisioned by the original agreement.

India has stepped up its pursuit of bilateral trade deals in recent years, in part due to frustration over the slow pace of the Doha Round negotiations at the WTO. Although politicians have questioned the wisdom of the strategy - generally due to fears of liberalisation-related job losses - this marks the first criticism from the country's central bank, for a very different set of concerns.

ICTSD reporting; "RBI objects to bilateral trade agreements" BUSINESS STANDARD, 11 March 2008. "Indian Rupee Snaps 3-day Loss as Exporters May Have Sold dollars" BLOOMBERG, 4 March 2008.

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.

Coming up: 13 – 19 March

13 - 14 March, Chatham House, London, UK. CORPORATE RESPONSIBILITY 2008: SUSTAINING MOMENTUM AND RESPONSIBLE GROWTH. At their 2007 Summit, the G8 nations signalled an unprecedented interest in corporate responsibility. Not only did they encourage the business sector to use specific Corporate Responsibility instruments, such as the OECD Guidelines for Multinational Enterprises and the UN Global Compact, but they committed to establishing a high level dialogue with leading emerging economies on the subject. This high-level conference is now in its fifth successive year as a joint venture between Chatham House and FTSE Group. The two day event will examine the latest thinking on the responsibilities of business, government and civil society and assess how far corporate responsibility has become a normal part of everyday business. For more information, please refer to the conference website at <http://www.chathamhouse.org.uk/events/conferences/view/-/id/111/>.

14 - 16 March, Chiba, Japan. GLENEAGLES DIALOGUE ON CLIMATE CHANGE, CLEAN ENERGY AND SUSTAINABLE DEVELOPMENT. The Gleneagles Dialogue is a multi-year, multi-government, public-private policy dialogue on climate change and clean energy issues, the findings of which will be submitted to the G8 summit process at this meeting in Japan. For

more information please refer to the summit website at <http://www.do-summit.jp/en/about/summary02.php>

16 March, Oxford, UK. SHARED GROWTH AND JOB CREATION IN AFRICA - ENGINES AND BARRIERS. This workshop, held by the World Bank and the Centre for the Study of African Economies (CSAE), is part of the CSAE Conference 2008. The Poverty Reduction Group of the World Bank will present its approach to finding binding constraints that limit shared growth and to assessing the role of employment and earnings changes in the growth-poverty reduction link. The underlying analytical framework will be presented and three country applications provided - Zambia, Madagascar and Rwanda. Discussants and session participants will be given ample opportunity to provide feedback on the approaches suggested and their policy implications. For more information please refer to the workshop website at <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21652959~menuPK:34482~pagePK:2524753~piPK:51421526~theSitePK:4607,00.html> or the conference website at <http://www.csae.ox.ac.uk/conferences/2008-EdiA/>.

17 March, Paris, France. OECD - IMF CONFERENCE ON STRUCTURAL REFORMS IN EUROPE. Further fundamental structural reforms in labour and product markets are needed to boost jobs, productivity and prosperity in Europe, notwithstanding significant progress to date. This one-day conference, jointly organised by the IMF and OECD, identifies priorities for further action and addresses related political economy issues. The speakers include economic policy-makers, academics, entrepreneurs and union representatives. Topics to be covered include:

1. What has been achieved in structural reform and what are priorities going forward?
2. What are the decisive factors driving reform initiatives and making them a success?
3. What role can European institutions play in fostering structural reform?
4. How can macroeconomic policies help promote structural change?
5. What are the major features of effective policy design?

For more information, please refer to the conference website at http://www.oecd.org/document/39/0,3343,en_21571361_39884857_39886631_1_1_1_1,00.html.

17 - 20 March, New York, US. UN ECOSOC COMMITTEE FOR DEVELOPMENT POLICY. The Committee for Development Policy (CDP), which will hold its tenth session in March 2008, is a subsidiary body of the United Nations Economic and Social Council (UN ECOSOC). One of the main topics the CDP will address will be initiatives aimed at

accelerating the emergence of an effective, widely supported international response to the challenges posed by climate change. A main concern for the group is that actions to mitigate climate change should not reverse the development prospects of all nations, especially the developing countries and those most immediately adversely affected by climate change. Moreover, considerable attention should also be paid to adaptation and how to facilitate effective policy response by developing countries, in particular the most vulnerable among them. Renewed and strengthened cooperation at the global level will likely be required to address this challenge. For more information please refer to the committee website at <http://www.un.org/esa/policy/devplan/>

WTO Events

An updated list of forthcoming WTO meetings is posted at: 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.

13-14 March: COUNCIL FOR TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

14 March: DISPUTE SETTLEMENT BODY

18 March: COMMITTEE ON AGRICULTURE

18-19 March: TECHNICAL BARRIERS TO TRADE WORKSHOP - GOOD REGULATORY PRACTICE

Other Upcoming Events

25 March 2008, Tokyo Japan. LESSONS LEARNED FROM SOUTH-SOUTH TRADE IN ASIAN REGIONS: UNCTAD XII PRE-EVENT. In preparation for UNCTAD XII, to be held from 20 to 25 April 2008 in Accra, Ghana, UNCTAD and the Japan External Trade Organization (JETRO) are jointly organizing a one-day workshop, to be held at JETRO headquarters in Tokyo. The main purpose of the workshop will be to examine the joint JETRO-UNCTAD publication entitled "South-South trade and regional trade agreements in Asia", including the implications of such trade and agreements for Asian developing countries and South-South trade in general. At the invitation of JETRO, the Secretary-General of UNCTAD will deliver a keynote speech at the workshop. Both UNCTAD and JETRO will deliver presentations on the publication, which will be followed

by a panel discussion in which experts from business and academia will discuss further issues associated with the joint research, including lessons that can be drawn from the Asian experience for other developing countries. For more information, please refer to the meeting website at <http://www.unctad.org/Templates/Meeting.asp?intlItemID=1942&lang=1&m=15221&year=2008&month=3>

RESOURCES

AID FOR TRADE AND DEVELOPMENT. Edited by Dominique Njinkeu and Hugo Cameron. Cambridge University Press, December 2008. Following in the wake of the World Trade Organization's engagement with Aid for Trade, this book brings together a range of perspectives around this emerging issue. The collection of articles in this volume presents many of the ideas elaborated through research conducted by International Lawyers and Economists Against Poverty (ILEAP) since 2005 and is intended to provide a basis for further study. Since many of the contributions on aid for trade to date have come from the North, the book looks to deepen the debate by forwarding voices and experiences from the South. The book traces the evolution of Aid for Trade from its beginnings and examines the global architecture, modalities, and costs associated with its implementation. Drawing on lessons from national and regional experiences, this book further explores ways in which Aid for Trade can both move forward and become a real tool for poverty reduction in beneficiary countries. For more information, please refer to <http://www.cambridge.org/us/catalogue/catalogue.asp?isbn=9780521889513>.

CURRENCY UNDERVALUATION AND SOVEREIGN WEALTH FUNDS: A NEW ROLE FOR THE WORLD TRADE ORGANISATION. By Aaditya Mattoo and Arvind Subramanian. Peterson Institute, 2008. Two aspects of global imbalances-undervalued exchange rates and sovereign wealth funds (SWFs)-require a multilateral response. For reasons of inadequate leverage and eroding legitimacy, the International Monetary Fund (IMF) has not been effective in dealing with undervalued exchange rates. Mattoo and Subramanian propose new rules in the World Trade Organization (WTO) to discipline cases of significant undervaluation that are clearly attributable to government action. The rationale for WTO involvement is that there are large trade consequences of undervalued exchange rates, which act as both import tariffs and export subsidies, and that the WTO's enforcement mechanism is credible and effective. The WTO would not be involved in exchange rate management, and the authors' proposals do not entail the WTO displacing the IMF. Rather, they would

harness the comparative advantage of the two institutions, with the IMF providing the essential technical expertise in WTO enforcement. On SWFs, there is a bargain to be struck between countries with SWFs, which want secure and liberal access for their capital, and capital-importing countries that have concerns about the objectives and operations of SWFs. The WTO is the natural place to strike this bargain. Its services agreement, the General Agreement on Trade in Services, already covers investments by SWFs, and other agreements offer a precedent for designing disciplines for SWFs. Placing the two issues on the trade negotiating agenda may help reenergize the Doha Round of trade negotiations by rekindling serious private-sector interest in the WTO system, the absence of which has immobilized and ultimately derailed the round. The paper is available online at <http://petersoninstitute.org/publications/interstitial.cfm?ResearchID=871>

INVENTORIES, LUMPY TRADE, AND LARGE DEVALUATIONS. By George Alessandria, Joseph Kaboski, and Virgilio Midrigan. National Bureau of Economic Research, February 2008. Fixed transaction costs and delivery lags are important costs of international trade. These costs lead firms to import infrequently and hold substantially larger inventories of imported goods than domestic goods. Using multiple sources of data, the paper documents these facts and shows that a parsimoniously parameterized model economy with importers facing an (S, s)-type inventory management problem successfully accounts for these features of the data. Moreover, the model can account for import and import price dynamics in the aftermath of large devaluations. In particular, desired inventory adjustment in response to a sudden, large increase in the relative price of imported goods creates a short-term trade implosion, an immediate, temporary drop in the value and number of distinct varieties imported, as well as a slow increase in the retail price of imported goods. This study of six current account reversals following large devaluation episodes in the last decade provides strong support for the model's predictions. For more information, please refer to <http://www.nber.org/papers/w13790>.

EXTERNAL TARIFF LIBERALISATION IN CARICOM: A COMMODITY-LEVEL ANALYSIS: By Azim M. Sadikov. IMF, 2008. This paper estimates the impact of the tariff liberalization in the four largest CARICOM countries (Barbados, Guyana, Jamaica, and Trinidad and Tobago) on their trade flows. It traces changes in the product-line imports from CARICOM and non-CARICOM countries against time and commodity-level variation in external tariffs. The author finds that in each country the reduction of the external tariff, which eroded preferences enjoyed by member imports, increased the ratio of imports from non-member countries to imports

from member countries. In Trinidad and Tobago, the higher ratio was largely the result of non-member imports crowding out member imports. In the three other countries, the ratio increased mainly because of higher non-member imports; there is little evidence that tariff reductions had an impact on member imports. Findings suggest that in Trinidad and Tobago liberalization of the external tariff reversed some of the trade diversion effects of CARICOM. The paper is available online at <http://www.imf.org/external/pubs/cat/longres.cfm?sk=21616.0>.

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