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### LEAD STORIES

#### WTO AG CHAIR'S NEW TEXT: GRADUAL PROGRESS ON MARKET ACCESS, 'HEADLINE NUMBERS' UNCHANGED

A new text outlining a plausible Doha Round deal on farm subsidy and tariff cuts circulated last week by the chair of the WTO agriculture negotiations contained no big surprises, according to trade diplomats in Geneva.

The text, dated 8 February, did reflect convergence in recent months on a number of issues, particularly on market access. However, the controversial 'headline numbers' for overall percentage cuts to tariff and subsidy levels remained largely unchanged from the previous draft deal issued in July 2007.

Differences on these politically sensitive figures are not likely to be resolved – if at all – except with the involvement of trade ministers, in conjunction with other issues in the Doha Round negotiations, especially industrial goods trade.

In a press conference after the text was released, agriculture negotiations chair Ambassador Crawford Falconer (New Zealand) said that the new draft incorporated progress made in intensive informal meetings he had convened since September.

Falconer had already distilled some of the progress made in these talks in some sixteen issue-specific 'working documents', circulated from November onwards (see BRIDGES Weekly, 16 January 2008, <http://www.ictsd.org/weekly/08-01-16/story1.htm>).

Unchanged from the July 2007 draft text on were the figures for how much Members would have to slash spending limits on overall trade-distorting domestic support – which includes the most trade-distorting 'amber box' subsidies, 'blue box' payments less directly linked to production, plus the 'de minimis' level of trade distorting support that was exempt from reduction during the previous trade round. The text indicates that the EU would have to cut its cap on overall spending by 75 or 85 percent. The US would have to do so by 66 or 73 percent, which would bring its spending entitlement

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to between \$13 and \$16.4 billion – both above current US expenditures, but below the caps Washington has proposed thus far. Falconer explained that Members had barely discussed these figures since last July.

Figures for the overall tariff cut formula similarly remained largely untouched – developed countries would have to cut duties falling into the highest tier of the formula by 66 to 73 percent. However, the revised text included a new requirement for developed countries to make a minimum average tariff cut of 54 percent, even if the distribution of their tariffs in the tiered reduction formula would have otherwise resulted in a lower average reduction. The comparable figure for developing countries is 36 percent, in line with what had been proposed by the G-20 group of developing countries (a 40 percent option, present in the July text, was dropped).

In a significant departure from the previous draft deal, the latest document was presented entirely in the form of legal text. The July 2007 version had included discursive passages on issues where the chair said that Members' positions were too far apart for him to discern potential compromises.

These passages, some of which dealt with contentious exceptions for developing countries, were all replaced by options for potential agreement on a wide range of issues. Although this reflected real progress in the talks, numerous figures and phrases nonetheless remained in square brackets – a drafting convention indicating lack of consensus.

### **Options for special safeguard mechanism**

One important example of this was the special safeguard mechanism, which developing countries alone will be able to use to raise duties beyond bound ceiling levels in order to provide farmers a measure of defence from import surges and price depressions. The issue has been the subject of heated exchanges between the safeguard's proponents in the G-33 bloc, and exporting nations wary of finding their access to overseas markets curbed.

In the new text, Falconer made his first attempt to set out a potential legal structure for this instrument. However, the fault lines in the negotiations meant that multiple sets of figures and options were threaded throughout this section of the text.

For instance, Falconer envisages different responses to low, medium and high import volume surges. However, the size of the import surges necessary to trigger safeguard duties, as well as the magnitude of these duties, vary significantly. Under one set of figures for the lowest volume surge, a 5 to 10 percent increase in

average import volumes over a three-year period would be enough to trigger additional duties equalling up to 40 percentage points or half the current bound rate, whichever is higher. For the other set, which is closer to exporters' demands, no duties could be imposed until imports reached 30 to 35 percent above the base level – and even then the additional tariffs would not exceed 20 percentage points or one-fifth of the bound rate.

Other bracketed provisions would constrain even the highest safeguard duties within the maximum 'bound' ceiling tariff levels established prior to the Doha Round. This is another bone of contention between importers and exporters. Importers argue that such limitation should be imposed if the safeguard is to achieve its goals.

The price-based safeguard, provisionally triggered by a 30 percent price reduction, would be similarly restrained – additional duties would not be enough to make up the difference between the new import price and the average.

Least-developed countries, which are not required to cut tariffs in the current round, would be permitted to impose safeguard duties exceeding pre-Doha bound rates by some 20 percentage points, according to a bracketed provision. So would small and vulnerable economies, albeit in limited circumstances.

Furthermore, Falconer's text furthermore provides for safeguard duties to be levied over and above applied rates, rather than from the bound ceiling level. Some negotiators are already pointing out that their applied rates are often much lower than their maximum tariff bindings, and that they do not need a safeguard mechanism to increase tariffs within their bound ceiling rates.

Falconer provides two options for the duration of additional duties: to the calendar year's end, or for a six- or 12-month period after the mechanism is invoked. He also provides an option for the special safeguard mechanism to expire at the end of the Doha Round implementation period – a stipulation opposed by the G-33.

### **Special products: continued controversy over tariff cut exemptions**

'Special products', which developing countries alone will be able to slate for gentler tariff cuts on the basis of food security, livelihood security and rural development criteria, have been among the most controversial issues in the negotiations. As with the special safeguard mechanism, the coverage of these exceptions has divided the import-sensitive G-33 and exporters wary of

reduced overseas market opportunities, most vocally the US.

The draft suggests that consensus exists on allowing developing countries to designate a minimum of 8 percent of agricultural tariff lines as 'special', without any reference to food and livelihood security 'indicators'. It proposes a maximum, to be agreed, of either 12 or 20 percent, with the additional commodities guided by indicators that would demonstrate that a product satisfies the criteria for selection.

Bracketed figures in the text provide several different options for the tariff treatment of these products. Six percent of all tariff lines could have to be reduced by either 8 or 15 percent. A further 6 percent could face cuts of either 12 or 25 percent. A possible third band of 8 percent of tariff lines – which could either replace part of the first two bands, or round out a total of 20 percent – could be exempt from cuts. Alternately, there could be a specification explicitly prohibiting the complete exemption of special products from tariff reduction.

Falconer's July 2007 draft text contained few specific details on special products, pointing more to Members' divisions on the issue. He had subsequently suggested that special products could be classified into two bands, each with minimum, maximum and average cuts, with an option for allowing some products in the first band to be fully exempt from tariff reduction.

A list of indicators is annexed to the text, which replicates a proposed list submitted by the G-33. Exporters are arguing that even the minimum special product entitlement should also have to be guided by these indicators.

Countries that recently acceded to the WTO would be allowed slightly greater flexibility, such as a larger number of permitted special products and lesser cuts, in what sources indicated was an attempt to accommodate the particular needs of China.

### **Sensitive products: major differences unresolved**

The chair's text leaves unresolved the important question of the level of detail at which both developed and developing countries will be able to designate products as 'sensitive' - eligible for gentler tariff cuts in exchange for the expansion of import quotas. The Cairns Group of agricultural exporters, which favours allowing product selection at the broader 6-digit HS tariff level, has clashed repeatedly with importers such as the EU, which wants to be allowed to select products at the more detailed 8-digit level in order to avoid using up its limited sensitive product entitlement on commodities that are not especially sensitive. The draft

includes both camps' approaches as alternative options.

Cairns Group negotiators told Bridges that they welcomed the inclusion of a new requirement stating that the complex calculations on quota expansion should be made available to Members before they adopt the template deal on the formula for tariff and subsidy cuts and exceptions to them – known as 'modalities'. The results of the calculations would be an "integral part" of the modalities, the text now says.

The text specified that Members maintaining duties of over 100 percent on more than 4 percent of tariff lines - rather than the 5 percent proposed in the July text - would have to compensate by expanding import quotas by an additional unspecified proportion of domestic consumption. This requirement compensates for the absence of an absolute tariff cap, a proposal that has been fiercely opposed by import-sensitive countries such as the EU and Japan.

### **Options for special safeguard**

The new text provides two options for the fate of the special agricultural safeguard (SSG), an existing tool against import surges used mainly by developed countries, and distinct from the 'special safeguard mechanism' currently under negotiation for developing nations.

One option, immediate elimination of this safeguard, has been supported by the Cairns Group, but resisted by the EU until recently (see BRIDGES Weekly, 16 January 2008, <http://www.ictsd.org/weekly/08-01-16/story1.htm>).

The text now provides an option for developed countries to maintain initially the safeguard for no more than 1.5 percent of tariff lines, prior to further restrictions on its applicability – potentially culminating in elimination after a certain number of years.

### **Tropical products and preference erosion: still deadlocked**

Negotiating mandates to liberalise trade in tropical products while addressing the effects of preference erosion have pitted Latin American liberalisation proponents against countries in the African, Caribbean and Pacific (ACP) group that have long benefited from preferential access to major markets, especially on products such as bananas and sugar.

The chair's text presents different options for both issues, and includes lists of products for each mandate tabled by the respective bloc.

One option is for tariffs on tropical products below 25 percent to be eliminated, while the rest are subject to an 85 percent reduction, with no commodities in the tropical product list eligible to be designated as 'sensitive'. Another would subject most tropical products facing tariffs of over 10 percent to the highest percentage cut required by the standard reduction formula (even if they would not otherwise fall in the highest tier).

For preference erosion, one of the options in the text would postpone tariff reduction on affected products for ten years – the ACP position. The other provides for a longer implementation period for tariff cuts on those products that account for a significant share of preference-receiving countries' agricultural exports to preference granters.

Nevertheless, the text takes only small steps to resolve the stand-off between the two camps: a bracketed provision states that when the products listed for each issue overlap, tropical product liberalisation shall prevail, except for a limited number of specific products on which negotiators have yet to agree. Not surprisingly, bananas and raw cane sugar are on the list for tropical products as well as that for preference erosion.

### **Subsidies: few major changes**

The draft text's provisions on subsidy cuts remain broadly unchanged since last July.

The new text removes brackets around the magnitude of cuts to spending limits on 'amber box' subsidies – which would be 70 percent for the EU, 60 percent for the US and Japan, and 45 percent for all other countries – suggesting that consensus might have emerged on this issue, a large component of overall trade-distorting support.

Another change in the new draft compared to the July 2007 text is the increased front-loading of subsidy reduction commitments by the EU and the US, with both required to cut overall trade-distorting support by one-third on the first day of implementation, and 'amber box' support by an undetermined amount (25 percent was the figure in brackets). A working paper released in the interim had provided for slightly higher cuts up front.

Negotiators were still mulling over language stipulating that, if Members exceed their limits for either product-specific or overall blue box support, the entirety of this support must be counted in the amber box. In principle, such a restriction could provide an additional incentive for Members to keep blue box support within their formally scheduled limit. However, one negotiator from a country that favours subsidy reform suggested that it

might in fact complicate the task of disciplining subsidies.

Negotiators remained at loggerheads over 'green box' payments – the WTO category for subsidies that ostensibly cause not more than minimal trade distortion. Proposed language allowing occasional updates to the base periods used to calculate support that is 'decoupled' from production has proved controversial: some countries say that these updates would ultimately give farmers an incentive to increase production, by affecting producer expectations. The text proposes two options for this. The more restrictive option would allow updates only for base periods far enough in the past not to affect producer expectations or decisions. The EU is not enthusiastic about this. A less restrictive formulation would allow updates if producer expectations and production decisions remain unaffected. Other countries, such as Argentina, were reported to favour language from the July 2007 draft that would have only allowed base period updates if support to producers remained neutral or decreased. Additionally, the chair proposes allowing developing countries greater flexibility to account for some food stockholding payments under the green box – a move hitherto opposed by some Cairns Group countries.

While the deadline for eliminating developed country export subsidies has long been established as 2013, the new draft now also proposes that developing countries eliminate such support by the end of 2016.

### **On the road to an Easter ministerial meeting?**

Falconer has given negotiators this week to read the text and consult with capitals and negotiating alliances.

An informal meeting open to all Members has been planned for 15 Friday, for delegations to exchange views and provide an initial response to the document.

Falconer has also announced his intention to hold further invitation-only consultations with 37 delegations representing a cross-section of interests in the talks the following week.

Progress in these 'Room E' consultations – as well as in similar talks in the industrial goods negotiating group on a new draft deal that was also released on 8 February – would lead to a 'horizontal process' involving senior negotiators debating trade-offs across different sectors, principally industrial tariffs and possibly also services.

If all goes according to plan, this process should culminate in a 'mini-ministerial' meeting around Easter (on 23 March this year), at which ministers would be

able to take the final decisions necessary to iron out a modalities deal.

Some delegations are already expressing scepticism, however, about the pace and structure of the talks. One negotiator spoke of being “wary of a timeframe of agenda that is externally imposed.” Delegates would need more time, he suggested, to consult capitals, and debate the text in the informal consultation process that Falconer has been leading.

Others emphasised the large number of outstanding issues – some 235 sets of square brackets remaining, according to one count – and cautioned against bringing ministers to Geneva too soon.

Many of the numerous still-unresolved issues – such as blue box reform and tariff quota administration – will have to be ironed out by technical experts and negotiators before ministers can be presented with a manageable set of issues on which to make final trade-offs. Failure to clarify many of the remaining ‘moving parts’ in the agriculture negotiations will make it harder for them to strike a deal.

ICTSD reporting.

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### Other News

#### **ANTIGUA AWARDED MODEST CROSS- NEW NAMA TEXT URGES MEMBERS TO EXAMINE TRADEOFFS BETWEEN FORMULA, FLEXIBILITIES**

Reaching a compromise in the deeply divided Doha Round talks on industrial goods trade might require granting developing countries increased latitude to shelter some products from tariff reduction, the chair of the WTO negotiating committee suggested last week.

In a new draft text that is to serve as the basis for further discussion, Canadian Ambassador Don Stephenson, who chairs the non-agricultural market access (NAMA) talks, conceded that consensus among WTO Members was entirely absent on some of the central issues in the negotiations. These include the formula that will determine the future tariff levels of developed and many developing countries, and the ‘flexibilities’ that will determine the extent to which the latter will be able to shield some sectors from the full force of global competition.

The text, issued on 8 February, succeeded the controversial potential deal that Stephenson had circulated to Members last July. That document met

with a frosty reception from the NAMA-11 group of developing countries such as South Africa, Argentina, Brazil, and India, which criticised it as too demanding of poor countries, too easy on industrialised nations, and disproportionate to the farm subsidy reform provided for in a linked draft agriculture deal that was released at the same time (see BRIDGES Weekly, 1 August 2007, <http://www.ictsd.org/weekly/07-08-01/story2.htm>).

#### **Absence of consensus**

While the July 2007 draft was in the form of legal text for an agreement, the new text is different: it is divided into two columns, with the left-hand side containing legal text, and the right containing Stephenson’s description of the divisions in the negotiations, along with suggestions for how Members might search for consensus.

Stephenson explained the change at a press conference following the release of the new text. The July 2007 draft, he said, was “a series of proposals from the chair” for where a deal might lie, based on “hundreds of hours” of consultations with Members.

In contrast, the new document is “more of a record of where we actually stand in the negotiations.” Although most of Stephenson’s observations reflected the (often quite wide) range of Members’ positions where consensus was absent, he said “I have taken my life in my hands here and there to offer guidance to Members on how they might consider resolving some of these issues.”

#### **Coefficients from July 2007 text retained**

The new text retained one key set of figures from the July 2007 text: ‘coefficients’ of 8 or 9 for developed countries, and 19-23 for developing countries. When fed through the ‘Swiss’ tariff formula, these numbers become Members’ tariff ceilings, with corresponding cuts across the board. Thus, developed countries would slash all industrial tariffs to below 8 or 9 percent, while the thirty or so developing countries obliged to use the formula would cut all manufacturing duties to below 19 to 23 percent, with limited – and to-be-negotiated – exceptions.

Last July, NAMA-11 members were strongly critical of these terms, pointing out that they would require developing countries to cut the bound ceiling rates on their manufacturing tariffs by deeper margins than industrialised nations. This, they argued, would reverse the Doha mandate for “less than full reciprocity in reduction commitments” by developing countries. Argentina was one of the countries that called the text an unfit basis for further negotiation.

Industrialised nations such as the US and the EU have argued that the "less than full reciprocity" mandate would be fulfilled simply by allowing developing countries to come out of the round with a modestly higher tariff ceiling. They insist that a NAMA agreement must bite into applied tariff rates to create "new trade flows" or "real market access."

In talks last autumn, divisions on NAMA became more stark, if anything. This was in contrast to the significant (though incremental) progress in the agriculture negotiations, which had long been thought to be the most intractable issue in the struggling Doha Round talks.

Without mentioning any country by name, Stephenson's new text faithfully reflects Members' positions on the coefficients: from the EU and the US seeking coefficients of 10 for rich countries and 15 for developing nations, with a differential of no more than 5 points between the two; to the NAMA-11's desire for a developing country coefficient of 30 or 35, with a 'spread' of at least 25 points. He also refers to the so-called 'middle ground' group of countries including Costa Rica and Chile, which proposed figures similar to those in the July draft, though they have recently been pressing for "a little less" than 8 or 9 for developed countries.

### **Flexibilities "most open" issue**

Where the new draft broke with the July 2007 text was on the 'flexibilities' that will determine how many products, and what proportion of manufacturing imports, developing countries will be able to shield from the full force of tariff cuts.

The July text provided for allowing developing countries to subject 10 percent of tariff lines to reductions half as steep as those ordinarily required (so long as this does not cover more than a tenth of manufacturing import value). Alternately, they would be allowed to exclude 5 percent of tariff lines from reduction altogether (albeit limited to only 5 percent of total import value). These figures were in square brackets signifying the absence of agreement, but had stayed constant since the July 2004 framework agreement that revived the Doha Round after talks broke down in Cancun the year before.

Stephenson removed the '10 and 5' numbers altogether from his new texts, leaving the brackets empty. Why? He told the press conference that he had realised that instead of the coefficients, "it's the flexibilities that are perhaps the issue that is most open. So my text now says in effect, Members are going to have to resolve the flexibilities before they are going to be able to resolve the coefficients."

The text listed various requests for additional flexibilities from different developing countries, both in terms of the number of products and the share of imports covered. It also noted a joint EU-US proposal to restrict developing countries' freedom to decide which products to shield from tariff cuts (see BRIDGES Weekly, 12 December 2007, <http://www.ictsd.org/weekly/07-12-12/story3.htm>).

The formula and flexibilities are inextricably linked: it is not surprising that governments would be more comfortable with taking on lower coefficients if assured that they would be able to exempt more products from the deeper tariff cuts that these coefficients would imply. Conversely, limiting flexibilities to protect products from tariff reduction would make them push for higher coefficients.

### **Explore 'sliding scale'**

Stephenson said that this "obvious relationship" between the two had been borne out in his consultations: countries seemed willing to trade the formula coefficients off against the flexibilities. This, he concluded, "strongly suggests a 'sliding scale' approach to achieve consensus, especially as it might provide a basis upon which to agree different outcomes for different developing countries – a persistent demand of some developing countries."

The notion of different outcomes for different countries would not be alien to the Doha Round negotiations. The draft text released last week by the chair of the agriculture talks attempts to accommodate specific concerns about farm spending in the US as well as the EU.

"I make the [sliding scale] proposal because some Members tell me they could accept a higher coefficient for countries that agree not to use their flexibilities; some Members tell me that they could accept a lower coefficient if the flexibilities were increased; some members tell me that they could consider increased flexibilities if the coefficient was low enough," Stephenson said. "All of those things, when you take them together, seem to suggest that these two things are linked: that when one goes up, the other could come down, and that's what I've invited Members to explore in the negotiations starting next week."

Stephenson acknowledged that the formula and the flexibilities were not likely to be resolved until traded off against agriculture concessions in a 'horizontal' negotiation process. Nevertheless, he urged trade diplomats to "rehearse for the horizontal negotiation" by exploring the relationship between the two in "concrete terms," and to make the tradeoffs between the coefficient and the flexibilities more explicit. This would clarify the options before negotiators and ultimately

ministers, increasing their chances of striking a compromise.

The NAMA chair denied suggestions that by removing the figures for the flexibilities from his text, he was acknowledging that they would have to be increased. "I don't know how it will turn out, and the Members are actually going to have to negotiate that. Neither do I know for that matter that the coefficient that will finally be agreed will be in the proposed range," he said.

Nevertheless, a bracketed provision in the new text would reward developing countries that refrain from using the flexibilities with a coefficient 3 to 5 points higher than the standard one. The July text would only have added 3 extra points to their coefficient.

Though also in brackets, the new text's liberalisation requirements for small and vulnerable economies and countries with binding caps on fewer than 35 percent of all tariff lines were relaxed as well, compared to the July 2007 draft.

As for the four recently acceded Members of the WTO that will have to subject their tariffs to the reduction formula – China, Taiwan, Croatia, and Oman – the text provides for an implementation period two to five years longer than the eight penciled in for all developing countries. Products for which accession-related tariff cuts are still being implemented – only a handful in China, and they will be done by 2010 – will benefit from a two to three year 'grace' period before Doha tariff cuts start phasing in. This extra implementation time drew criticism from the US National Association of Manufacturers, which said China would have "as long as 17 years" to implement tariff cuts on some manufactured goods.

Some types of textiles and clothing were added to the lists of products for which the US and the EU would be able to take two extra years to phase in tariff cuts (making for a total of six instead of four, based on the bracketed figures), in order to ease the effects of multilateral tariff liberalisation on countries to which they have long granted unilateral trade preferences.

### Initial reactions

Just before the two revised drafts were released last week, the Argentinean government issued a statement threatening to block the new NAMA text if it did not provide for a gap of 25 points between the coefficients for developed and developing countries, along with expanded flexibilities. Argentina has unfavourably contrasted the NAMA flexibilities to those in the agricultural negotiations, which are not subject to an import volume cap.

After the texts were issued, Indian Commerce Minister Kamal Nath praised the new NAMA text for "reflecting that there are other points of view held by many countries," speaking to the press in New Delhi this week. However, he expressed anxiety that withdrawing the figures for flexibilities from the text "left room for ambiguity to creep in." "We need greater flexibilities," he stressed.

Indian industry groups were more critical of the Stephenson's decision to retain the coefficients from the July 2007 draft.

Initial reactions from US Trade Representative Susan Schwab were also cool. "Not only does the new [NAMA] text offer a diminution of ambition, it raises new challenges when it comes to clarity for decision making," she said in a speech to the Peterson Institute for International Economics, a think tank in Washington, on 13 February. Partially echoing her Indian counterpart, she claimed that the removal of the flexibility figures had created "uncertainty," and warned that "the prospect that we must now duke it out over whether there should be more or less flexibility than in the original draft" would not speed the way to a final-stage negotiation among ministers. However, she did say that the agriculture and NAMA texts moved the negotiations forward "in general."

After Geneva-based delegates use this week to digest the new drafts and consult their capitals, the negotiating groups on NAMA and agriculture are set to meet next week. These deliberations will include so-called 'Room E' meetings involving officials from some three dozen representative delegations.

Steady progress in these consultations would pave the way for WTO Director-General Pascal Lamy to launch a 'horizontal process' that would involve cross-sectoral tradeoffs between NAMA and agriculture. This would – at least in the most optimistic scenario – culminate in a ministerial-level meeting in late March to hammer out the final details of a 'modalities' framework agreement on agriculture and industrial goods trade, setting the stage for concluding the Doha Round by the end of this year.

ICTSD reporting; "Ficci wants India's case raised at Doha," THE STATESMAN, 9 February 2008.



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**IN BRIEF**

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**BIOFUELS MAY BE INCREASING  
GREENHOUSE GAS EMISSIONS, NEW  
STUDIES SUGGEST**

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The growing popularity of biofuels may actually be hurting the environment, according to two papers published last week in the journal *Science*.

Biofuels have long been considered 'carbon-neutral', as the emissions from consumption are believed to be offset by the plants from which the fuel is made. The studies argue that this conception is overly simplistic, and fails to account for the carbon costs of biofuel-related land use changes.

Both studies focus on cropland. The first study finds that converting rainforests or grasslands to produce biofuels releases much more carbon dioxide into the air than the plants are able to absorb. Similarly, using currently productive farmland to grow biofuel crops will also use more carbon than it saves, according to Princeton's Timothy Searchinger, the lead author of the other study.

Ten prominent ecologists authored a letter to US President George W. Bush in response to these new findings, asking for new a policy "that ensures biofuels are not produced on productive forests, grassland or cropland," according to the *Los Angeles Times*. Last year, legislation was passed calling for the production of ethanol, derived mostly from maize, to double over the next 10 years.

The UN announced the formation of a panel to analyse the study's findings, saying that biofuels could still be useful in the global environmental effort. Bob Dinneen, the president of the Renewable Fuels Association, issued a statement saying that, despite the new studies, "we must all remember where we are today, how world demand for liquid fuels is growing, and what the realistic alternatives are to meet those growing demands. Biofuels like ethanol are the only tool readily available that can begin to address the challenges of energy security and environmental protection."

Searchinger's study says that the "extraordinary productivity" of Brazilian sugarcane means that it would need only four years to "pay back the upfront carbon emissions" when grown on tropical grazing land. However, this payback period would rise more than ten-fold if displaced ranchers then proceed to convert rainforest to grazing land.

"The *Science* articles underscore the great risks of unintended consequences associated with subsidising and mandating biofuels", noted Tara Laan, Assistant Researcher of the Global Subsidies Initiative. "The implications of the study by Searchinger et al. are especially important — namely, that developing sustainability standards for biofuels that do NOT account for indirect GHG emissions arising from the displacement of crop production is about as effective as re-arranging deck chairs on the *Titanic*."

The abstracts of the two papers can be found online at [www.sciencemag.org](http://www.sciencemag.org).

ICTSD Reporting; "Biofuel crops increase carbon emissions," *LOS ANGELES TIMES*, 8 February 2008. "Simplistic View of Land Use Change Excludes Consequences of Continuing Petroleum Dependence," *RFA NEWS RELEASE*, 7 February 2008.

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**US CONGRESSMAN PUSHES FOR  
RENEWED TRADE PREFERENCES**

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A top US lawmaker on 7 February tabled a bill for the extension of trade preferences for Andean and Caribbean countries, calling on Congress to extend the programmes before they expire later this year.

Representative Charles Rangel (D-NY), who chairs the House's powerful Ways and Means Committee, with jurisdiction over taxes and tariffs, wants the Andean Trade Preference Act (ATPA), the Caribbean Basin Initiative, and the Generalised System of Preferences extended until September 2010.

"These preference programs have been a centerpiece of US efforts to spread the benefits of globalisation to the world's poor and developing countries," Rangel said in a press release. "They have created tens of thousands of jobs -- jobs that are likely to be lost to countries like China if the programs are not renewed."

The ATPA, under which the US extends duty-free access to a wide range of products from Colombia, Peru, Bolivia, and Ecuador, may prove the most contentious. The unilateral preferences were supposed to expire at the end of 2006, and be replaced by two-way free trade agreements (FTA) between Washington and the Andean states. When the FTA negotiations languished, Congress in late 2006 agreed to extend the preferences for six months, with a further six-month extension for countries that actually signed accords.

The preferences for all four Andean countries were subsequently extended till 29 February 2008. The US managed to sign Free Trade Agreements (FTA's) with Peru and Colombia. Congress has only approved the



Peruvian pact, and is still debating the Colombian one, primarily due to Democrats' concerns about human rights and violence against labour unionists in the country. Ecuador and Bolivia, the other two countries in the Andean bloc, could stand to lose out on duty free market access to the US when the preferences expire. Some Republican lawmakers have argued against the renewal for those two countries because of recent anti-US policies.

The two year extension of preferences would take considerable pressure off of this Congress to ratify the Colombian FTA.

In the same statement, Rangel called for the renewal of the Caribbean preferences, set to expire on 30 September, as well as the Generalised System of Preferences, which provides tariff free access for specific goods from 144 developing nations and expires on 31 December.

Rangel stated that, beyond the direct economic implications, the two year renewal will send a strong message to Doha Round negotiators "that the US commitment to trade and development remains unwavering and substantial."

ICTSD Reporting; "Lawmaker Pushes Trade Benefit Renewal Package", REUTERS, 8 February 2008.

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## US FARM BILL TALKS HEAT UP

Congress and the Bush Administration have until 15 March to strike a compromise on a new farm bill, or else risk severe disruption to agricultural support programmes.

The current farm bill is now set to expire in mid-March, having already been extended past its original expiry date last year. The House and the Senate have already approved a new five-year, \$286-billion plan, voting for it by sizable majorities late last year.

However, the administration has threatened to veto the proposed law on the grounds that it would raise taxes, is too expensive, and would leave the US vulnerable to legal challenge at the WTO.

Congress has the option of extending the current farm bill until after the 2008 election, but some Democrats are keen on the idea of bypassing an extension and reverting back to the last permanent farm bill, which was passed in 1949. That would eliminate all of the conservation programs that have been established over the past half century, throwing US agriculture into flux.

Officials are cautiously optimistic about the prospects of the new bill. President Bush reiterated his veto threat last week, signalling to Democrats that they must work further on a bipartisan agreement. Senator Tom Harkin (D-IA), the chairman of the Senate Agriculture Committee, was sceptical, telling the Associated Press, "For President Bush to continue to take a hard line and threaten to veto a farm bill is unproductive and against the bipartisan spirit that made this bill a reality."

Some Democrats have openly wondered whether a presidential veto would help their party during the November elections. However, Collin Peterson (D-MN), the Chairman of the House Committee on Agriculture, this week issued an open letter with Bob Goodlatte (R-VA), the top Republican on the committee, saying "We do not believe that any strategy involving a veto would be good for the country."

The main differences which still need to be hammered out include requests by the Bush Administration to deny subsidies to farmers who make more than \$500,000 a year, and to more actively mandate the requirements for being "actively engaged in farming." Also, there are some fundamental differences in the House and Senate versions of the bill that need to be reconciled, mostly over the sourcing of the extra costs associated with those versions.

The House and the Senate have nominated committee members to compromise on the final bill. That committee should hold their preliminary meetings next week.

ICTSD reporting; USDA Official Pushes for Farm Bill, ASSOCIATED PRESS, 11 February 2008; "What happens if there's no new Farm Bill?", BROWNFIELD AG NEWS, 12 February 2008; "House leaders urge 'realistic' farm bill approach," DELTA PRESS, 12 February 2008.

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## FOCUS ON IPR ENFORCEMENT AT MEETING IN DUBAI

Representatives from business, governments, civil and international agencies called for greater cooperation to combat counterfeiting and piracy at a 3-5 February meeting in Dubai.

Organised by groups including the World Customs Organisation (WCO), Dubai Customs, Interpol, the World Intellectual Property Organisation (WIPO), and the International Chamber of Commerce (ICC), the Fourth Global Congress on Combating Counterfeiting and Piracy looked at the health and safety aspects of

counterfeit products, as well as their economic and social effects.

Congress president and WCO Secretary-General Michel Danet said "Nothing has changed; counterfeiting and piracy continues to grow at an alarming rate and these fake products which often prove fatal to consumers are now being produced on an industrial scale."

Participants suggested that close collaboration between government and business through heavily enforced legislation was the best way to fight counterfeiting.

"Policymakers must stand up and make intellectual property protection a priority," said David Benjamin, a senior vice president at Universal Music who also co-chairs the ICC's anti-corruption initiatives. "Counterfeiting and piracy is driven by high profits and low risks, and it is going to take strong legal structures and enforcement of the laws to bring an end to the trade in fakes," he added, calling on the Group of Eight industrialised nations to take the lead.

WIPO Deputy Director-General Michael Keplinger called for "determination and ingenuity, as well as concerted coordination and cooperation among all stakeholders – countries, developed and developing alike and their governments, intergovernmental institutions, the private sector and consumers."

In contrast, an event organised by the South Centre on the sidelines of the Dubai meeting highlighted TRIPS flexibilities on the enforcement of IPRs and called for maintaining "legitimate balances" between the rights of intellectual property holders and the public interest.

"Currently there exist a lot of misunderstandings that confuse the public in terms of concepts, definitions and obligations of the enforcement of IPRs and the combating of counterfeiting goods and piracy," said Xuan Li, coordinator of innovation and access to knowledge at the South Centre.

The enforcement of intellectual property issues has taken on a higher profile in recent months. At the WTO, Washington launched a dispute against China for setting too low a bar for prosecuting counterfeit DVDs, music, and other copyrighted material (see BRIDGES Weekly, 18 April 2007, <http://www.ictsd.org/weekly/07-04-18/story4.htm>)

Last October, US Trade Representative Susan Schwab announced that the US and some key trading partners would seek to negotiate an Anti-Counterfeiting Trade Agreement (ACTA).

ICTSD reporting.

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## WTO IN BRIEF

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### EU LOSES ON BANANAS AGAIN

A WTO dispute panel has once again ruled against the EU's tariffs on imported bananas, trade officials said, backing a complaint from the US. The confidential ruling, far from the first against Brussels' banana import regime, was issued to the two parties last week.

The EU's preferential market access for bananas from its former colonies in the African, Caribbean, and Pacific (ACP) group has been the subject of numerous disputes dating back over a decade, pitting Brussels against the US and several Latin American countries.

This most recent dispute concerned the EU's introduction in 2006 of a tariff of 176 euros (\$258) per tonne along with a 775,000 tonne duty-free quota for ACP bananas (see BRIDGES Weekly, 22 November 2006, <http://www.ictsd.org/weekly/06-11-22/story4.htm>). The EU lost a similar dispute with Ecuador last December.

The US itself is not a significant exporter of bananas to the EU. However, several US-based multinationals, such as Chiquita, have plantations in Latin America whose bananas are affected by the EU tariffs.

Michael Mann, a spokesperson for EU Agriculture Commissioner Marian Fisher Boel, criticised the WTO "for taking a 'purely formalistic approach that found against something that doesn't exist anymore.'" This was in reference to the fact that bananas from ACP states now receive quota-free access to the European market, whether under the EU's economic partnership agreements signed late last year, or as exports from a least-developed country.

The panel's decision could potentially open the door to US retaliation in the form of extra duties on European goods. The EU will be able to appeal the ruling.

ICTSD Reporting; "WTO Rules against EU Banana Tariffs," ASSOCIATED PRESS, 8 February 2008; "Caribbean-EU Trade Pact Comprehensive, Innovative," DOMINICAN REPUBLIC NEWS & TRAVEL INFORMATION SERVICE, 23 December 2007; "Senegal Refuses to Sign EU-ACP Trade Pact: Report," EU BUSINESS, 3 December 2007.

## EVENTS & RESOURCES

### EVENTS

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

Coming up: 14-20 February

14-16 February, Porto Alegre, Brasil. WORLD CONFERENCE ON THE DEVELOPMENT OF CITIES. This conference's official title is 'Democratic Innovation and Social Transformation for Inclusive Cities in the 21st century'. Issues to be discussed include; Local Policies on Citizens Rights and Responsibilities; Innovative Experiences of Democratic Participation and Administration; Local Development in Cities; and Sustainability and the Network City. The Conference will also focus on issues related to urban poverty and urban inequalities. Internet: [www.cmdc2008.com.br](http://www.cmdc2008.com.br)

16 February, Rome, Italy. CONVENTION ON BIOLOGICAL DIVERSITY WORKSHOP. This workshop will focus on the development of national/regional biodiversity-related targets and their integration in national biodiversity strategies and action plans. Internet: <http://www.cbd.int/doc/?meeting=WSTI-NBSAP-01>

18-19 February. Vienna, Austria. OECD FORUM 'PARTNERSHIPS FOR SKILLS AND COMPETITIVENESS'. The Fourth Forum Meeting will seek to identify the best ways for partnerships to contribute to the design and implementation of skills development strategies which can boost competitiveness and make the economy more inclusive.

Internet: [http://www.oecd.org/document/62/0,3343,en\\_2649\\_34487\\_39651966\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/62/0,3343,en_2649_34487_39651966_1_1_1_1,00.html)

18-20 February. Rome, Italy. UN FAO EXPERT MEETING ON BIOENERGY POLICY, MARKETS AND TRADE AND FOOD SECURITY. The meeting will review the impact of bioenergy production and policies on income, land use patterns and food security. It will also focus on global perspectives and the growth of the bioenergy sector and the potential impacts of that growth. For more information, please contact: Nadia Scialabba, [nadia.scialabba@fao.org](mailto:nadia.scialabba@fao.org).

### 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.

15 February: WTO INTRODUCTION DAY

15 February: DISPUTE SETTLEMENT BODY

18 February: NEGOTIATING GROUP ON TRADE FACILITATION

19 February: DISPUTE SETTLEMENT BODY

20 February: COMMITTEE ON GOVERNMENT PROCUREMENT

20-21 February: SYMPOSIUM ON TELECOMMUNICATIONS

### Other Upcoming Events

20-22 February. Principality of Monaco. UNEP 10<sup>TH</sup> SPECIAL SESSION OF THE GOVERNING COUNCIL / GLOBAL MINISTERIAL ENVIRONMENT FORUM. This conference has two main themes, which include "Globalization and the Environment – Mobilizing Finance to meet the Climate Challenge" and "International Environmental governance and the United Nations reform". Also, the conference will facilitate ministerial level discussions on emerging environmental policy implications. Internet: <http://www.unep.org/gc/gcss-x/index.asp>

## RESOURCES

**NGO INVOLVEMENT IN INTERNATIONAL ORGANIZATIONS: A LEGAL ANALYSIS.** By Sergey Ripinsky and Peter Van den Bossche. British Institute of International and Comparative Law, December, 2007. In light of the growing influence of NGOs in international decision-making, this book investigates the arrangements for NGO involvement in the activities of a range of international institutions, and examines and compares relevant rules and practices. The analysis focuses in particular on the legal basis for NGO involvement, forms of involvement, NGO participatory rights, applicable accreditation criteria and procedures, and rules on subsequent monitoring of accredited NGOs. International institutions are each covered in separate chapters, and the final chapter provides a comparative analysis of the examined systems. The book can be purchased online at <http://www.biicl.org/publications/view/-/id/119/>.

**WHO SHOULD BEAR THE TRIPS ENFORCEMENT COST?** Policy Brief, South Centre, January 2008. By analyzing from both economic and legal perspectives, this policy brief concludes that the TRIPS enforcement cost shall be borne by private parties as IPR is private right in nature, and enforcement activities ought to be planned on a cost-benefit basis from a socially optimal perspective. The brief focuses in particular on developing countries, arguing that most of the financial benefits of enforcement policies go directly to foreign companies, rather than trickling down into the developing economy. It argues that developing countries should decline to bear the cost of any enforcement that goes beyond TRIPS requirements. The brief can be found online at [http://www.southcentre.org/info/policybrief/12TRIPS Enforcement Cost.pdf](http://www.southcentre.org/info/policybrief/12TRIPS%20Enforcement%20Cost.pdf).

**BIOFUELS AND SUSTAINABLE DEVELOPMENT: WILL THE EU HELP OR HINDER?** Overseas Development Institute Briefing Paper, January 2008. Developing countries are heavily affected by global biofuels policies, both as potential producers (for their own use or export) and as consumers (of crops displaced by biofuels and of energy). Because Europe is a major producer of biofuels, its policies can have a significant effect on them. This brief argues that development should be enhanced by the introduction of EU Biofuels. It can be found online at <http://www.odi.org.uk/publications/briefing/bp32-jan08-biofuels.pdf>

**TRADE RELATED MEASURES AND MULTILATERAL ENVIRONMENT AGREEMENTS.** Economics and

Trade Branch, United Nations Environment Programme, 2007. This paper aims to contribute to current negotiations in the WTO by analyzing multilateral environment agreement (MEA) trade related measures in the context of the overall objective of the MEAs. The paper examines the MEA connections between trade and the environment, whether through enforcement and compliance, through regulating trade in endangered plants or animals, or through attempts to 'level the playing field' in international trade. Finally, the paper suggests a way to classify different trade-related measures in the context of the particular MEA with which the measure aligns. It can be found online at <http://www.unep.ch/etb/areas/pdf/MEA%20Papers/TradeRelatedMeasuresPaper.pdf>.

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

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