



# Bridges Weekly Trade News Digest

*Weekly trade news from a sustainable development perspective*

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## LEAD STORIES

G20 Confronts Global Financial Crisis .....	1
WTO Warns of 'Significant Slippage' toward Protectionism .....	3
OECD: 'International Trade in Freefall' .....	5
Public Policy Considerations Prominent in WIPO Patent Discussions .....	6

## IN BRIEF

USTR Promises Action to Open Markets to US Exports .....	9
New Infrastructure Initiative Launched as African Trade Plummets .....	9
ASEAN to Tackle China Investment Pact, Economic Crisis at April Summit .....	10

## WTO In BRIEF

US Not Prepared for High-Level Doha Engagement before Fall: US Official .....	11
EU Claims US Gambling Laws are Illegal .....	11

## EVENTS & RESOURCES

Events .....	12
Resources .....	14

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## LEAD STORIES

### G20 Confronts Global Financial Crisis

As leaders from the world's 20 largest economies prepare to meet in London on Thursday, divisions are emerging over how the world should respond to the global economic crisis. But tentative consensus appears to be emerging around calls to secure funding for trade finance, and to both prop up and reform international financial institutions.

British Prime Minister Gordon Brown, whose country holds the rotating G20 presidency, has signalled that he hopes the one-day meeting will help craft a blueprint for rescuing the global economy and reforming the international financial system.

British Foreign Secretary David Miliband said on Sunday that the summit will produce specific commitments from the world leaders.

"No, this is not just warm words," Miliband told the BBC's Andrew Marr.

But with controversies already brewing over how much countries should spend versus how much they should regulate, and over how extensively the group should restructure decades-old international financial institutions, some doubt the extent to which the leaders will be able to find common ground.

Earlier this week, The Financial Times leaked what it claimed to be a draft version of a joint declaration for the summit. (The document is published online here ([http://www.ft.com/cms/s/0/f6f30eaa-1c88-11de-977c-00144feabdc0.html?nclink\\_check=1](http://www.ft.com/cms/s/0/f6f30eaa-1c88-11de-977c-00144feabdc0.html?nclink_check=1)).

The draft confirms that there are three principal items on the summit's agenda: to co-ordinate

spending, interest rate cuts, and other government actions to stimulate the global economy; to increase oversight of financial institutions to lower the risk of future crises; and to solidify a framework for reforms to the world financial system, including the International Monetary Fund, while also increasing the organisation's funding.

World trade is also expected to figure prominently in the discussions. A trickle of dismal forecasts for world trade have been released in advance of the summit, and WTO Director-General Pascal Lamy will be in attendance.

The leaders will likely emerge from the meeting Thursday evening with some sort of joint promise to resist trade-restricting measures, just as they did at their last meeting in Washington in November (see Bridges Weekly, 19 November 2008, <http://ictsd.net/i/news/bridgesweekly/34105/>).

But if recent history is any indication, such a promise may not translate into concrete action. Seventeen of the G20 nations have enacted measures the World Bank deemed 'protectionist' since they vowed not to do so five months ago (see Bridges Weekly, 18 March 2009, <http://ictsd.net/i/news/bridgesweekly/43455/>).

China and other major emerging economies like Brazil, India and Russia are expected to make their presence felt at the London summit, as they seek to solidify the influence on the international financial system.

With the world's emerging economies playing an increasingly vocal role Thursday's meeting could go down in history as "the last hurrah for the US and Europe rescuing the world economy," Simon Johnson, a professor and former chief IMF economist, said in an interview with The New York Times.

### **Stimulus spending, IMF Reforms**

Some of the meeting's biggest battles are expected to centre on how much money countries should pour into stimulus packages, and what reforms should be brought to the IMF.

Leading the charge for increased stimulus funding, the US wants the world's biggest economies to up their spending both this year and in 2010. Stimulus spending "should be robust and sustained until demand is restored," US President Barack Obama wrote last week in an op-ed that was published in 31 newspapers around the globe. The IMF says that stimulus spending equivalent to 2 percent of global GDP – roughly US\$ 2 trillion – will be needed to pull the world out of the slowdown. China and the US have met that target, according to the IMF, but France and Japan, among others, have not.

Indeed, continental Europe is expected to make a hard push for prioritising financial oversight over increased spending.

"We want the principles of a new financial regulation. It's non-negotiable," French President Nicholas Sarkozy told journalists on Wednesday while standing beside his German counterpart, Angela Merkel. "This needs to be laid down in the communiqué," Merkel added.

With so many countries struggling or falling into crisis, there appears to be broad consensus among world leaders that the IMF, the world's lender of last resort, needs a financial boost. The US and the UK say they want the IMF to get US\$ 500 billion in additional funding. The EU and Japan have already pledged US\$ 100 billion each; funding promises are also expected from the US and Norway, The Wall Street Journal reported.

But the extent to which emerging economies are willing to chip in may hinge on whether they can secure a stronger voice in the direction and management of the 65-year-old institution. Wang Qishan, a senior Chinese trade official, wrote in the Times of London on Friday ([http://www.timesonline.co.uk/tol/comment/columnists/guest\\_contributors/article5982824.ece](http://www.timesonline.co.uk/tol/comment/columnists/guest_contributors/article5982824.ece)) that Beijing was ready to contribute to the IMF, but added that a major restructuring of the fund was needed. Wang specifically called for a review of the IMF's quota system, which allocates voting powers and determines the size of each country's financial contribution to the fund. China now controls 3.72 percent of the fund's total votes; the US has 17.09 percent, while Japan accounts for 6.13 percent.

Structural reforms to the IMF have also been touted by a UN commission chaired by Nobel-prize winning economist Joseph Stiglitz. Writing in the UK's Guardian newspaper, Stiglitz made a case for both increasing funding, and allowing recipient countries more leeway in how they make use of their loans.

"It is important that any assistance be provided without the usual strings. Conditions such as those which force developing countries to contract spending and raise interest rates are counterproductive: the intent of the assistance is to help them expand their economies, thereby assisting the global recovery.

"Deficiencies in current institutional arrangements for disbursing funds – for example, through the IMF – have long been noted, but the reforms so far are insufficient," he wrote.

Thursday's meeting is also expected to produce a concrete result on trade finance, which many consider to be the lifeblood of international commerce. 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 or just unwilling to lend, such loans have become harder to come by.

UK Prime Minister Brown and Brazilian President Luiz Inácio Lula da Silva have proposed creating a US\$ 100 billion global fund to finance world trade. Brown said that he was confident that other G20 leaders would accept the proposal.

EU Trade Commissioner Catherine Ashton and EU Economic and Monetary Affairs Commissioner Joaquín Almunia called on G20 heads of state to emerge from Thursday's meeting with a "concrete initiative on trade finance."

### **Protests break out as summit approaches**

Roughly 35,000 people took part in a demonstration in London over the weekend, and more protests were planned in the run-up to Thursday's meeting. Banding together under the slogan 'Put People First', the protestors marched to Hyde Park in London bearing signs reading

'Hang a banker' and 'Storm the banks,' media sources reported. The organisers of the event said they wanted G20 leaders to be more open and transparent, and to take strong action on poverty, climate change and unemployment.

But protests took a violent turn on Wednesday, when demonstrators broke through police lines, vandalised the Bank of England and smashed windows at a branch of the Royal Bank of Scotland. More than 30 people were arrested. Protests of several thousand people were also held in Berlin and Vienna over the weekend; smaller marches took place in Paris and Geneva.

ICTSD reporting; "European protesters march in G20 rallies," AP, 29 March 2009; "Obama will face a defiant world on foreign visit," THE NEW YORK TIMES, 29 March 2009; "Focus: G20 countries damp expectations for April 2 summit," THE WALL STREET JOURNAL, 29 March 2009; "G20:France Sarkozy:New Fincl Rules 'Non-Negotiable'," DOW JONES, 1 April 2009.

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## **WTO Warns of 'Significant Slippage' toward Protectionism**

Global commerce is in danger of "an incremental build-up of restrictions that could slowly strangle international trade" and undermine worldwide attempts to boost demand and restore growth, the WTO director-general warned last week.

There has been "significant slippage" in WTO Members' success at resisting protectionist pressures since the start of this year, according to a 26 March report on trade-related measures taken in response to the economic crisis that was released by WTO chief Pascal Lamy's office. Governments have increased tariffs, introduced new non-tariff measures, and sought to use trade remedies such as anti-dumping duties on imported goods.

Nevertheless, the investigation found "no indication of an imminent descent into high intensity protectionism, involving widespread resort to trade restriction and retaliation."

The first such report, released in January, found “only limited evidence” of moves to increase trade protection since last September, when the global economic crisis dramatically deepened (see BRIDGES Weekly, 28 January 2009, <http://ictsd.net/i/news/bridgesweekly/38844/>).

But the economic prognosis has only worsened since then, with each new forecast gloomier than the last. Global economic output is set to shrink this year for the first time since the Second World War. The World Bank reckons that global GDP will contract by 1.7 percent in 2009; the Organization for Economic Cooperation and Development puts the figure at 2.75 percent (see related story, this issue).

The WTO predicts that world merchandise trade will shrink by 9 percent this year; the OECD estimates a 13.2 percent “collapse.” This marks a sharp reverse in a decades-long pattern that saw trade volumes outstrip GDP growth, as the development of international production chains meant that many components in a single product crossed borders and thus were counted towards trade figures.

Both the WTO and the OECD put most of the blame for the trade contraction on reduced global demand and shortages of global finance, not on protectionist barriers. Falling commodity prices and a rising US dollar have helped push down the dollar value of trade.

“The main risk,” according to Lamy’s report for WTO Members, “is that governments will continue to cede ground to protectionist pressures, even if only gradually, as long as the global economic situation continues to deteriorate.” Past downturns had been marked by similar measures, and supposedly temporary subsidies and protective measures to protect jobs and businesses in fact took years to unwind, during which they underwrote uncompetitive industries and sectoral overcapacity.

In a rebuke to ‘buy national’ requirements in governments’ fiscal stimulus packages, the report urged countries to “reflect on the contradiction” of using trade restrictions that effectively tax production as part of policies aimed at boosting aggregate demand. Coordinating the size and

timing of stimulus packages, rather than seeking to prevent spending from ‘leaking out’, would do more to boost aggregate demand globally, it said. Leakage into higher imports would be at least partially offset by increased exports.

Subsidies, the report argued, would be best targeted at consumption, not production, with consumers free to opt for imported goods or services.

The report, which WTO secretariat officials hope will be discussed by Members in mid-April following its translation into French and Spanish, contained numerous plugs for the troubled Doha Round of trade negotiations. A Doha accord would be an “unambiguous” rejection of protectionism and stimulus package worth at least US\$ 150 billion for the global economy, it said. It also emphasised that the crisis was highlighting the extent to which existing WTO constraints allowed Members leeway to restrict trade or increase distorting subsidies.

### **Trade measures, fiscal stimulus, financial bailouts examined**

In three annexes, the report contains detailed lists of trade and trade-related measures, stimulus packages, and financial sector bailout policies introduced by different WTO Members.

The WTO secretariat compiled the list on the basis of government documents, information directly provided by delegations, news reports, and publicly available sources. The report is informal and confidential to Members, and has no legal standing. Notably, many governments kept pledges made after the last report to inform the WTO of changes in their trade policies, even when raising import barriers (although these were not binding, unlike the often-tardy subsidy notifications). Some governments ‘counter-notified’ restrictive policies by their trading partners, sources report.

The trade measures range from Argentine import licensing requirements on car tyres to the EU’s introduction of anti-dumping duties on Chinese and Moldovan steel. Other examples include India’s introduction of a 20 percent duty on imported soybean oils, Mexico’s withdrawal of

NAFTA trade concessions for certain US imports, and the 'Buy American' rules in Washington's fiscal stimulus package.

Not all the measures mentioned served to restrict flows of trade and investment. A minority of the new measures aimed to facilitate commerce. For instance, several countries eliminated import duties or export taxes on some products, or moved to cut trade-related red tape or ease access to trade finance.

However, the report found that "a pattern is beginning to emerge of increases in import licensing, import tariffs and surcharges and trade remedies to support industries that have faced difficulties early on in this crisis." Anti-dumping investigations are trending upwards, and "could accelerate rapidly."

Subsidies to the steel and automotive industries were singled out for comment, as were financial sector bailouts. The report recognised that most developing countries can simply not afford to provide such vast sums in industrial aid. It warned that the support measures could prolong the operations of uncompetitive firms, denying market share to more efficient producers, including those overseas.

While it recognised the paramount importance of preventing the systemic failure of global financial markets, it noted that bailouts to financial institutions could have trade effects, keeping insolvent or uncompetitive financial institutions alive at the expense of foreign competitors. Government backing of financial institutions, the report cautioned, might also come with formal or informal direction to provide favourable terms to national businesses and exporters.

### Multiple challenges to developing countries

Developing countries are being hit not only by declining growth and demand for their exports, but also by the sudden jump in the cost of trade finance, a drop in remittances, reduced foreign direct investment, and outflows of portfolio investment.

The report detailed efforts by international financial institutions, government-backed export

credit agencies, and some central banks to support trade finance, by providing guarantees and liquidity to importers. Traditionally, trade finance – the short-term credit or insurance that enables exporters to offset the risk that they will not be paid and importers to offset the risk that they will not receive merchandise they paid for – was considered almost risk free, with the traded goods serving as collateral. But with banks suddenly unwilling to loan to exporters or importers at only a tiny premium above benchmark rates, governments had to intervene to keep trade flowing.

Many developing countries are likely to face "a sharp deterioration" in their balance of payments in the second half of 2009, the report said, citing a World Bank estimate that developing countries face a financing shortfall of US\$ 270 to US\$ 700 billion, while their export earnings are projected to drop.

The Group of 20 leading industrialised and developing nations are expected to discuss developing countries' need for finance and aid during their ongoing summit in London (see related story, this issue).

In February, many countries expressed support for Lamy's first report, and said they wanted to see continued monitoring of new instances of trade-restricting policies (see BRIDGES Weekly, 12 February 2009, <http://ictsd.net/i/news/bridgesweekly/40499/>). Bolivia observed at the time that WTO rules called only for the director-general to make a single annual review of the global trading environment. Whether the exercise continues will presumably be determined by Members' mid-April response to the new report.

ICTSD reporting.

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## OECD: 'International Trade in Freefall'

World trade is in free fall and is likely to drop by 13.2 percent in 2009, according to an interim report released by the Organization for Economic Co-operation and Development on Tuesday just

two days before a summit of leaders from the world's 20 largest economies.

"The world economy is in the midst of its deepest and most synchronised recession in our lifetimes, caused by a global financial crisis and deepened by a collapse in world trade," said Klaus Schmidt-Hebbel, the OECD's chief economist, in an editorial that accompanied the report.

The extent of the decline underlines the challenges facing world leaders meeting at the G20 summit in London on Thursday. Measures to combat a rise in trade protectionism are expected figure prominently on the agenda.

In its latest set of forecasts for global economic growth, the OECD outbid the WTO's already dark estimate of a 9-percent fall in world trade flows (see Bridges Weekly, 25 March 2009, <http://ictsd.net/i/news/bridgesweekly/43818/>).

"After steady annual growth at around 8 percent over the past half decade, world trade growth started to weaken in early 2008 and collapsed in the last quarter," it said.

"This contraction of world trade is broad-based, and affects all regions and is the worst since comparable data exist."

The report suggests the impacts of the recession will be substantial on all countries. The OECD expects a 4.3 percent fall in gross domestic product across the organisation's 30 rich-country members, as growing unemployment undermines demand for consumer goods.

The jobless rate will rise sharply in all OECD countries and will peak in 2010 or early 2011, the report said. By next year, the number of unemployed in the G7 countries will be almost double what it was in mid-2007.

To stop the ongoing "economic haemorrhaging," world leaders should develop a coherent strategy to tackle problems in the financial markets, boost stimulus spending, and reform the financial system, Schmidt-Hebbel said.

ICTSD reporting.

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## Public Policy Considerations Prominent in WIPO Patent Discussions

After a week of intense deliberations, the Standing Committee on the Law of Patents (SCP) at the World Intellectual Property Organization decided to pursue further work on four critical issues. The delegates, who met at WIPO headquarters in Geneva from 23 to 27 March, also reviewed preparations for the July 2009 WIPO Conference on global challenges in the field of intellectual property.

The SCP is still getting back on its feet after a three-year hiatus in negotiations. Talks broke down in 2006 when developed and developing countries reached a standoff over a potential treaty that would expand the minimum standards agreed in the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

But a meeting in June 2008 revived the SCP talks, and since then the committee has been working slowly to establish a work programme and develop a body of technical knowledge to inform the group's negotiations.

At its meeting last week, the committee added two topics to the list of issues for further consideration by the SCP: patent quality management systems and patents and the environment, with a particular attention to climate change and alternative resources of energy.

Discussions at the meeting centred on four preliminary studies prepared by the WIPO Secretariat: exclusions from patentable subject matter and exceptions and limitations to patent rights; dissemination of patent Information; standards and patents' and the client-attorney privilege. The development and public policy dimensions of each of these issues, but particularly the first three, were central in the committee's discussions. Many developing countries emphasised that the work of the SCP should be guided by the relevant recommendations laid out in WIPO's Development Agenda.



WIPO member states will have a chance to re-visit all of these issues at the SCP's next meeting, which is set for November 2009.

### **Exclusions from Patentable Subject Matter and Exceptions and Limitations to the Rights**

Discussions on exclusions from patentable subject matter and exceptions and limitations were based on a preliminary study prepared by the WIPO Secretariat which provided a brief overview of the main issues involved.

Developing countries such as Egypt, Chile and the Asian Group claimed that the WIPO study only related to multilateral considerations and that bilateral and plurilateral agreements should be discussed as well. India added that exclusions to patents depends on the economic status of the country and indicated that the secretariat should have studied the legal nature of each country in order to focus on development issues and to assess countries priorities. In addition, Indonesia stressed that, from a developing country perspective, compulsory licensing deserved further consideration.

Developed countries, in general, thought that the preliminary study by the secretariat was clear and concise on policy and presented a balanced view. "The preliminary study is excellent," a Swiss delegate commented.

Ultimately, the SCP decided to ask the secretariat to commission external experts to prepare a study on exclusions, exceptions and limitations. Delegates agreed that the report should focus on, but not be limited to, issues suggested by members, such as public health, education, research and experimentation and patentability of life forms, including from a public policy, socio-economic developmental perspective bearing in mind the level of economic development.

### **Dissemination of Patent Information**

Over the course of the meeting, several delegations stressed the importance of following through on the recommendations laid out in the WIPO Development Agenda on the availability of patent information. Progress on this front would be critical for the dissemination of the kind of

technological know-how that can inform decisions on IP policy, competition, and economic strategies. In this context, the secretariat referred to WIPO's initiative for a global technology information center, which member states commended. The Asian Group suggested that WIPO set up a free and open-source global database where countries could share patent information.

The SCP requested that the WIPO secretariat prepare a concept paper on "technical solutions to improve greater access to, and dissemination of, patent information."

### **Standards and Patents**

On this issue, the standing committee focused its discussion on the document prepared for this occasion by the secretariat.

The issue between patents and standards has only risen recently with the boom in information and communication technologies in the 1990s and the subsequent proliferation of patent filings and standards. A conflict between a patent and a standard can occur when the implementation of a technical standard calls for the use of technology covered by one or more patents. The main problem arises when compliance with a particular standard requires access to technologies that may be protected by intellectual property rules. In such situations, according to the WIPO study, there is an increased risk of anti-competitive practices, the exclusion of competitors and high licensing costs. The committee's debate stressed the cross-cutting nature of the issues under consideration and the role that governments and standards-setting organisations, such as the ISO, might have in this area. Delegates said that, in general, the preliminary study by the secretariat would be very useful for further discussions on the topic.

### **Client-Attorney Privilege**

Most countries have a client-attorney privilege stipulation for lawyers and their clients, but not for advisors on intellectual property (IP) matters. In the view of a number of developed countries, this issue has some international implications that need to be addressed within WIPO. Since there is no international framework governing client-

attorney privilege, there is no harmonised approach on these questions among countries.

Developed countries expressed their eagerness to address the issue of client-attorney privilege. Their statements emphasised that the absence of harmonisation in legal frameworks “causes clients to risk loss of, and lose confidentiality in, advice they obtain from IP advisers.” Thus, they said, the owners of intellectual property rights should be able “to freely communicate with their IP adviser and to know confidentiality to be legally secured.”

But Egypt, China, Brazil and Argentina voiced concerns about harmonisation in this area, arguing that client-attorney privilege is a private matter that should not be dealt with in international law. Brazil referenced Article 1 of the TRIPS Agreement, stressing that all countries are free to determine an appropriate method of implementation “within their own legal system and practice.”

The International Chamber of Commerce, joined by the International Association for the Protection of Intellectual Property (AIPPI), also weighed in on the matter. The groups submitted a letter to the SCP encouraging member states to form a working group on the issue of client-attorney privilege and to include non-lawyer IP professions in the client-attorney privilege statute.

Following from these discussions, the SCP agreed to expand the preliminary study on the client-attorney privilege so as to reflect the current state of play. The expanded study should take into account the perspectives of various stakeholders and draw on external experts if necessary, the committee said.

### Other issues

The upcoming WIPO conference on IP and Global Challenges preliminarily set for mid-July was a heated topic at the committee meeting. The official call for such a conference was one of the notable outcomes of the SCP's meeting last June. Member states, in general, were dissatisfied with the lack of consultations with governments on the specific issues to be addressed at the conference.

But after WIPO's Director-General, Francis Gurry, intervened specifically on the subject, the committee finally agreed to go ahead with the conference. Delegates entrusted the chair of the committee, jointly with the secretariat, to conduct open-ended consultations with member states on the specific programme for the conference, which will address health, the environment, climate change and food security.

Dalindyabo Shabalala of the Centre for International Environmental Law (CIEL) highlighted to Bridges the importance of keeping climate change on the agenda. “In any discussion at WIPO it should be acknowledged that climate change is an emergency,” Shabalala said. “One of the basic working assumptions of the negotiations is that business as usual will not get us where we need to go.”

The chairman of the SCP, Maximiliano Santa Cruz from Chile told Bridges that he was grateful to member states “for engaging in such rich discussions over the week-long meeting.

“I think members understand that we have to take care of the Committee and that concrete and balanced results will be driven by substantive discussions. The studies that will be prepared will help to that end. This is only the second meeting after almost three years of paralysis. In my opinion we have already come very far in terms of building trust and agreeing to discuss issues which are technically difficult as well as politically sensitive,” Santa Cruz said.

For more information, please see two ICTSD publications on these subjects: Exceptions to Patent Rights in Developing Countries (<http://ictsd.net/downloads/2008/06/garrison20-20patent20exceptions20dc20-20blue2017.pdf>), and Addressing the Interface between Patents and Technical Standards in International Trade Discussions (<http://ictsd.net/downloads/2009/03/policy-brief-3.pdf>).

ICTSD reporting; “WIPO patent committee class for further study, consultations,” IP WATCH, 30 March 2009.



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**IN BRIEF**

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**USTR Promises Action to Open Markets to US Exports**

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The administration of US President Barack Obama pledged Tuesday to identify and take action against the most significant trade barriers to US exports, either at the WTO or in bilateral or regional forums.

"We must work to open new markets around the world for American farmers, manufacturers, ranchers and service providers, and at the same time ensure that American workers are reaping the promised benefits of previous agreements through strong enforcement," newly confirmed USTR Ron Kirk said in a statement.

The USTR's annual "National Trade Estimate" (NTE), which was submitted to Congress on Tuesday, outlines the most significant barriers to the flow of US exports overseas.

The barriers cited in the 536-page report include unjustified testing and certification requirements, ineffective enforcement of copyright violations, discriminatory excise taxes, prohibited export subsidies for 'national brands', and limited participation in telecoms markets through high capital requirements and lengthy investment approvals.

Kirk, who took office in mid-March, said in a statement that swift action against trade barriers will advance the US' economic recovery efforts. Both Kirk and President Obama have promised to give more attention to the enforcement of US trade agreements.

Top Democrats have been pushing for just such a review. In a letter to President Obama dated 26 March, Democrats on the House Ways and Means Committee, which covers trade, outlined more than two dozen alleged foreign trade barriers or violations of trade rules.

The legislators called on the administration to "systematically improve its ability to eliminate barriers and open foreign markets to US

exporters." Failure to take action would increase the trade deficit and foreign-owned US debt, they said.

The 26 March letter argued that lax enforcement under the Bush administration contributed to the largest trade deficit on record and may have played a role in the current financial crisis.

Such pressures to protect domestic markets contrast sharply with recent exhortations from world leaders and multilateral institutions for governments to keep trade lines open for the sake of the global economy. How the Obama administration will balance such competing calls remains to be seen.

With US exports slumping in response to the global financial crisis, the Obama administration needs a broader strategy to open markets, Congressman Kevin Brady, a Texas Republican, said in a speech on Tuesday, Reuters reported.

"Our economy cannot grow on enforcement alone. It must be accompanied with an offensive game plan" that includes congressional action on three pending free trade agreements with Panama, Colombia and South Korea, Brady said.

The 2009 NTE report is available here <http://ustr.gov/Document Library/Reports Publications/2009/2009 National Trade Estimate Report on Foreign Trade Barriers/Section Index.html>

ICTSD reporting; "USTR promises action on foreign trade barriers," REUTERS, 31 March 2009; "US trade team responds to protectionist pressure In reports on trading partners," IP WATCH, 31 March 2009.

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**New Infrastructure Initiative Launched as African Trade Plummet**

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Three African economic communities announced plans last week for a major new infrastructure initiative meant to boost trade flows on the continent. With support from foreign donor governments, the groups aim to create a reliable

and efficient transport network across eight African countries, from South Africa to the Democratic Republic of the Congo. The project, dubbed the North-South corridor, is estimated to cost \$1 US billion.

Juma Mwapachu, secretary-general of the East Africa Community, says that the continent needs proper governance structures to augment regional integration.

"Infrastructure is what unlocks space so if it is not delivered, we cannot optimise the large market space we have created," said Mwapachu.

Officials expect the project to give producers access to more regional and international markets through faster border crossings, improved transportation networks, along with measures to revamp power supply and transmission. WTO Director-General Pascal Lamy, who will attend a meeting on the project in April, says the North-South corridor will help promote development and alleviate poverty.

"Such initiatives have never been more urgent than in the current global economic climate," Lamy said.

Indeed, of the 26 countries that the International Monetary Fund has flagged as "highly vulnerable" to the effects of the global economic downturn, half are in Africa.

Last year, thanks largely to a spike in commodity prices, Africa racked up US\$ 800 billion in trade revenues. But recent predictions say that that value could slide by 20 percent to 25 percent for 2009 and 2010.

Several factors have triggered the continent's economic troubles: a drop in aid from rich-country donors, a fall-off in investment from overseas, and a decline in money sent home from Africans who have moved abroad have all contributed to the downturn. To make matters worse, the global credit crunch means that African exporters are struggling to get the loans they need to ship their products to market.

Dominique Strauss-Kahn, IMF's managing director, at a conference this month stressed how

Africa must not be forgotten during the global downturn.

"This is not only about protecting economic growth and household incomes – it is also about containing the risk of civil unrest, perhaps even of war. It is about people and their futures," said Strauss-Kahn.

ICTSD Reporting; "Zambia's Copperbelt Reels from Global Crisis," THE WASHINGTON POST, 25 March 2009; "Africa trading blocs plan to launch major infrastructure initiative," CHINAVIEW, 25 March 2009; "African trade to shrink up to 25 pct: Afreximbank," REUTERS, 26 March 2009.

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## ASEAN to Tackle China Investment Pact, Economic Crisis at April Summit

The Association of Southeast Asian Nations may soon finalise an investment deal with China, and is working on a similar agreement with South Korea. The investment agreement with China could be signed at the bloc's upcoming meeting with the leaders of China, South Korea and Japan, to be held in Thailand from 10-12 April, Lim Chze Cheen of the ASEAN Secretariat told The Jakarta Post last week. The official suggested that negotiations for a similar agreement with South Korea, the third largest economy in Asia, were still in progress. The two investment pacts are meant to supplement free trade agreements that the tenation bloc inked with Beijing in 2005 and with Seoul in 2006.

Under the China pact, ASEAN will gain "greater certainty and room, not just from an investment perspective but also in terms of trade," Cheen said.

Trade between ASEAN members and Beijing has increased an average of 30 percent since 2003, making China the third largest market for ASEAN after Japan and the EU, whereas China's trade with the Asian alliance ranks fifth after United States, the European Union, Japan and Hong Kong. The new investment pact with China is

expected to bring the zero-tariff market into effect in 2010 among ASEAN founding members, and 2015 for remaining members.

Leaders gathering at the April meeting will also address the ongoing economic crisis. Other meeting participants will include UN Secretary General Ban Ki-Moon, heads of state from Australia, India and New Zealand as well as the chiefs of the Asian Development Bank, the International Monetary Fund, and the World Bank.

Last year the founding members of the Asian alliance validated a new charter for the coalition. Leaders of the group said the document would help the bloc progress toward its ultimate goal of establishing itself as an EU-like integrated community (see <http://ictsd.net/i/news/bridgesweekly/36580/>).

At a meeting in February, ASEAN refurbished the framework of its secretariat as a part of the project to form an integrated community by 2015. Divided into four separate departments the Secretariat will cover economic, political and security, community and corporate, a social-cultural affairs

The ten members of ASEAN are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

ICTSD Reporting. "ASEAN to ink investment pacts with China, Korea," Ika Krismantari, The Jakarta Post 2009 March 25. "ASEAN to sign investment deals with China, S Korea" Chinaview.cn, 2009 March 25.

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## WTO IN BRIEF

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### US Not Prepared for High-Level Doha Engagement before Fall: US Official

The United States will not be ready to engage in a high-level meeting on the Doha Round of trade talks at the WTO until this fall at the earliest, a

Geneva-based US trade official told Bridges this week.

"We're still going through the review process," the official said. "I don't think many people think it makes sense without having the building blocks in place."

WTO Director-General Pascal Lamy indicated last month that he hoped to make a high-level push for progress in the talks before the global trade body takes its annual August holidays.

"What I hope is that before the summer break there will be a window of opportunity to bring [trade ministers] back," Lamy said on a visit to Australia.

But Lamy has not set his sights specifically on this summer for reaching an agreement on 'modalities', the framework of a global trade deal, a WTO official said yesterday. At this point, it appears as though a ministerial-level gathering is more likely to occur toward the end of 2009, the official indicated.

Many trade observers also say that upcoming Indian elections, which will take place in five phases between 16 April and 13 May, also decrease the odds of a major push on Doha this summer.

ICTSD reporting.

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## EU Claims US Gambling Laws are Illegal

US rules on internet gambling violate world trade law and have resulted in "serious adverse effects" for European firms, an EU report found last week.

"The report concludes that WTO action would be justified," a statement from the EU Trade Commission said. But Brussels indicated that it would not rush to bring a WTO challenge on the matter.

"It is for the US to decide how best to regulate internet gambling in its market, but this must be

done in a way that fully respects WTO obligations. I am hopeful that we can find a swift, negotiated solution to this issue," EU Trade Commissioner Catherine Ashton said in a statement.

The report marks the end of an investigation that was launched a year ago, after the UK-based Remote Gambling Association filed a complaint with the EU. European gambling companies claim their profits and stock prices have tumbled since they were forced out of the US market with the passage of the Unlawful Internet Gambling Enforcement Act (UIGEA) in 2006. The law, which was enacted by a Republican-controlled Congress, prohibited credit card companies and financial institutions from processing transactions with overseas gambling companies.

Now, with the Democrats back in control, US Congressman Barney Frank, a Democrat and the chair of the House Financial Services Committee, has said he plans to introduce legislation that would lift the current ban on internet gambling. But even if the ban is lifted, the EU maintains that WTO action might still be justified if Washington continues to prosecute EU firms accused of past violations of the UIGEA.

Jeffrey Sandman, a spokesman for the Safe and Secure Internet Gambling Initiative, welcomed the report, calling the existing US law a "protectionist trade policy that hypocritically discriminates against foreign online gambling operators."

The EU report comes nearly two years after Antigua and Barbuda won a WTO challenge against US gambling laws at the WTO (see Bridges Weekly, 30 May 2007, <http://ictsd.net/i/news/bridgesweekly/7594/>). A WTO arbitrator later granted the tiny Caribbean nation the right to cross-retaliate with annual sanctions worth US\$21 million against US patents, copyrights, trademarks, and other intellectual property, as well as services companies.

ICTSD reporting; "US lawmaker to push to repeal online gambling ban," REUTERS, 20 February 2009.

## EVENTS & RESOURCES

### Events

#### Coming up: 2 April- 8 April

2 April 2009, London, United Kingdom. G20 SUMMIT. World leaders from the Group of 20 nations will meet to enhance global coordination in order to help restore global economic growth amidst the current financial crisis. Summit goals include initiating action to stabilise financial markets and enable families and businesses to get through the recession, to strengthen and reform the financial system, restore confidence and trust, and put the economy on track for sustainable growth. For more information please refer to <http://www.londonsummit.gov.uk/en/>.

31 March -2 April, Bonn, Germany. WORLD PARTNERSHIP CONFERENCE ON EDUCATION FOR SUSTAINABLE DEVELOPMENT: MOVING INTO THE SECOND HALF OF THE UN DECADE. Prosperity has reached unprecedented levels, but so have our demands on education and environment, and so has the gap between rich and poor. Natural resources provide services that sustain our lives and are crucial for economic development and human well being. Using natural resources sustainably is imperative to ensuring their availability also for future generations while satisfying the needs of today. Five years into the UN Decade of Education for Sustainable Development (ESD) this conference aims to highlight the relevance of ESD to educate, promote international exchange on ESD, especially between countries of the world, carry out a stock-taking of the implementation of the UN Decade and develop strategies for the way ahead. For more information, please see [http://www.bne-portal.de/coremedia/generator/unesco/de/06\\_UN\\_Dekade\\_International/01\\_Weltkonferenz\\_202009/World\\_Conference\\_2009.html](http://www.bne-portal.de/coremedia/generator/unesco/de/06_UN_Dekade_International/01_Weltkonferenz_202009/World_Conference_2009.html). To register please contact: [unesco@un-conference2009.org](mailto:unesco@un-conference2009.org)

#### WTO Events

An updated list of forthcoming WTO meetings is posted

[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.

6-8 April	Trade Policy Review Body-European Communities
20-21 April	Committee on Regional Trade Agreements Fax
22 April	Trade Policy Review Body-Mozambique
1 May	Negotiating Group on Trade Facilitation

### Other Upcoming Events

27-29 April 2009, Geneva, Switzerland. EXPERT MEETING ON TRADE AND CLIMATE CHANGE: TRADE AND INVESTMENT OPPORTUNITIES AND CHALLENGES UNDER THE CDM. Geneva, Switzerland. At its 55th session, the Trade and Development Board of the United Nations Conference on Trade and Development approved terms of reference for a single-year expert meeting on trade and climate change. Accordingly, the upcoming expert meeting will focus on the trade and investment opportunities and challenges under the Clean Development Mechanism (CDM). For more information contact: Lucas Assunção; fax: +41 22 917 02 47; e-mail: [lucas.assuncao@unctad.org](mailto:lucas.assuncao@unctad.org); Internet:

<http://www.unctad.org/Templates/meeting.asp?intItemID=4714&lang=1&m=15861&info=not>

13-15 May, Cyprus. FOURTH INTERNATIONAL CONFERENCE ON SUSTAINABLE DEVELOPMENT AND PLANNING. This conference, organised by the Wessex Institute of Technology, addresses the subjects of regional development. It has become apparent that planners, environmentalists, architects, engineers, policy makers and economists have to work together in order to ensure that planning and development can meet

our present needs without compromising the ability of future generations. In recent years, there has been in many countries, an increase in spatial problems that has led to planning crises. Planning problems are often connected with uneven development, deterioration of the quality of urban life and destruction of the environment. The increasing urbanisation of the world coupled with the global issues of environmental pollution, resources shortage and economic restructuring are leading to major crises. For more information please visit <http://www.wessex.ac.uk/09-conferences/sustainable-development-2009.html>.

19 May 2009, London, United Kingdom. SIXTH ANNUAL EMERGING MARKETS TRADE & POLITICAL RISK CONFERENCE. This conference will be held in London on May 19, at the Willis Building in Lime Street. The event will be especially relevant this year, given the ongoing shrinkage of export and trade finance liquidity for emerging markets, and will offer a window to decision-makers to ascertain the strength and depth of the credit and political risk insurance now available to companies operating internationally. For more information please visit <http://www.exportagroup.com/conferences/6th-Annual-Emerging-Markets-Trade-&Political-Risk-Conference-170/>

28-29 May, Montreal, Canada. TREATY REGIMES IN PRACTICE: DOMESTIC IMPLEMENTATION OF INTERNATIONAL LAW ON SUSTAINABLE DEVELOPMENT. Sponsored by the Centre for International Sustainable Development Law with the McGill University's Faculty of Law, Hydro Quebec and Oppenheimer Research Chairs and the International Law Association, this event will focus on recent trends and best practices in domestic laws to implement the sustainable development objectives of international treaty regimes. Learned dialogue in this event will also focus on how these experiences are shaping new rules and institutions in the treaty regimes themselves. Individuals from international environment, development, human rights and law experts, academics, professionals and students are encouraged to register. This symposium features a wide range of keynote speakers; deadline to register is April 16. For more information please visit



[http://www.cisd.org/pdf/poster\\_symposium2009\\_screen.pdf](http://www.cisd.org/pdf/poster_symposium2009_screen.pdf).

17-19 June, Venice, Italy. 2009 INTERNATIONAL ENERGY WORKSHOP. This workshop, jointly sponsored by the Euro-Mediterranean Centre on Climate Change (CMCC) and the International Centre for Climate Governance, represents an informal network of analysts actively working on international energy issues. The IEW provides a venue for scholars and researchers to compare quantitative energy projections and to understand the reasons for diverging views of future developments. The workshop is structured with one plenary session per day, each one hosting two key-note speeches of international experts of the research field. Then, three parallel sessions will be held at each time slot with 3 or 4 presentations each. The aim is to select about 85 papers out of the applications. For more information please visit <http://www.iccgov.org/iew2009/2-0.htm>.

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## Resources

REBUILDING GLOBAL TRADE: PROPOSALS FOR A FAIRER, MORE SUSTAINABLE FUTURE SHORT ESSAYS ON TRADE AND GLOBAL ECONOMIC GOVERNANCE. By International Centre for Trade Sustainable Development (ICTSD), Global Economic Governance Programme (GEG), and Oxford, 2009 March. This e-book gathers short essays from a broad range of scholars and experts around the world to provide proposals on topics such as immediate trade priorities in the context of the economic crisis, and a forward-looking agenda for global trade governance. Authors focused on three main topics, starting with proposing concrete trade-related actions that G20 leaders should take at their April 2009 London Summit and subsequent meetings, along with considering challenges the multilateral trading system will face in the longer term (i.e. 2015) and propose reforms these will demand of global trade governance. Finally, authors focused special attention on the needs of developing countries and sustainable development considerations such as poverty reduction, environmental sustainability, and social justice.

This e-book aims to feed into ongoing debates on the governance of the multilateral trading system and the future of the Doha Round, and to reinforce the case for a full, broad-ranging WTO Ministerial Conference this year. To download an electronic copy of Rebuilding Global Trade: Proposals for a Fairer, More Sustainable Future, please visit ICTSD at <http://ictsd.net/downloads/2009/03/g20-web.pdf>

GLOBAL CRISIS IN NEED OF GLOBAL SOLUTIONS. By Kevin P. Gallagher, 2009 March. In this short essay for a special issue from the Latin American Trade Network on the challenges facing the upcoming G-20 meetings, the author highlights the urgent need for a global response to the economic crisis that recognises that expansionary government stimulus policies cannot be just for the wealthy countries. He points out that the IMF in its emergency assistance plans for developing countries is still imposing harsh conditionalities that limit rather than expand government spending. If the IMF is to receive significantly higher lending authority, it should be forced to abandon its draconian austerity policies, which are more inappropriate than ever in the current crisis. To access this essay, please visit [http://www.ase.tufts.edu/gdae/Pubs/rp/LATN\\_G20Mar09.pdf](http://www.ase.tufts.edu/gdae/Pubs/rp/LATN_G20Mar09.pdf).