



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

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LEAD STORIES

Obama Criticises Border Tax Adjustments in House Climate Bill

US President Barack Obama is pushing back against provisions in an important energy and climate bill passed by the House of Representatives that would levy extra import charges on goods from countries that fail to cap greenhouse gas emissions.

Obama called the bill, which the House approved by a narrow 219-212 margin on 26 June, “an extraordinary first step,” pointing to its framework for a cap-and-trade scheme for emissions, commitment to energy efficiency and renewables, and incentives for research and development in clean-energy technologies.

But he criticised the bill’s clauses, added just hours before the vote, for ‘border tax adjustments’ – in effect, tariffs – to penalise certain goods from countries that are not actively limiting greenhouse gas emissions.

“At a time when the economy worldwide is still deep in recession and we’ve seen a significant drop in global trade, I think we have to be very careful about sending any protectionist signals out there,” the president told reporters in the Oval Office on Sunday, according to the New York Times.

Obama recognised “a legitimate concern on the part of American businesses that they are not disadvantaged vis-a-vis their global competitors” because of higher energy costs. He noted, however, that the legislation already had various kinds of transitional assistance for energy-intensive industries even before the border tax adjustment provisions were reinserted.

Furthermore, he observed that European industry faced sharper emissions curbs, and that even

China – the top target of the proposed tariffs – had been moving towards a “clean energy approach,” and had already surpassed the US on fuel efficiency standards.

“I am very mindful of wanting to make sure that there's a level playing field internationally,” Obama said. “I think there may be other ways of doing it than with a tariff approach.”

Opposition to the proposed unilateral border tax adjustments is the latest sign that Obama, as president, is stepping away from the protectionist rhetoric he sometimes used on the campaign trail last year.

The border measures in the energy bill (called the Waxman-Markey bill after its sponsors) go further than similar policies in an earlier version of the legislation. They would require importers of heavily-traded energy-intensive products to purchase emissions allowances, a measure that is tantamount to a tariff.

Notably, the new provisions appear to make tariff penalties the rule, rather than the exception – a significant shift from the previous version of the bill that allowed the president several options if a sector of domestic industry suffered a measurable decline in competitiveness. To prevent the border measures from kicking in, Congress would have to formally approve a presidential declaration that border measures are not in the “national economic interest.”

According to Robert Heilmayr, a research analyst at the World Resources Institute in Washington, the sectors that meet the criteria for energy intensity and trade exposure – making them subject to the tax – include chemicals, iron and steel, cement, glass, lime, some pulp and paper products, and non-ferrous metals such as aluminum and copper.

The policy specifically aims at large developing country emitters like China, Brazil, and India. Most developed countries have binding emissions reduction commitments, or are expected to agree to them in the context of a successor agreement to the Kyoto Protocol. And exports from the least-developed countries would be excluded from the extra charges, as would those from states

accounting for below 0.5 percent of global emissions (as long as they account for less than 5 percent of US imports in the sector in question).

Other circumstances under which the imports would be free from the extra charges include: if the greenhouse gas or energy intensity of the sector in the exporting country is equal to or lower than that of its US competitors, or if 85 percent of US imports of the product come from countries with binding emissions reduction targets (or lower energy intensity).

A rebate provision in the Waxman-Markey bill also presents a potential trade irritant. Under the provision, trade-exposed energy-intensive industries would receive rebates for the costs of complying with the climate change legislation. These rebates, which would be in the form of emissions allowances, would be given to companies based on their output. The problem is that the value of these allowances would be calculated using the average compliance costs for the sector as a whole. As a result, the most efficient plants, those that need the least carbon emissions to produce, say, a tonne of steel, could find themselves over-compensated for their compliance costs. Foreign competitors might argue that such ‘over-allocation’ constitutes a subsidy.

These rebates are acknowledged in the bill’s rules for border measures: The administrator of the border tax adjustment scheme is required to reduce extra charges on imports – even to zero – to offset the output-based allowances received by competing domestic industry.

The last-minute revisions to the bill also altered the objectives for US negotiators in the ongoing UN climate change talks, requiring them to “address the competitive imbalances that may be created in domestic and export markets” between countries that have and have not taken what are deemed to be adequate climate change measures. Provisions governing border measures would also be sought. Governments will meet in Copenhagen, Denmark at the end of the year to attempt to hammer out a successor to the Kyoto Protocol, which will expire in 2012.

Experts caution against unilateral import tariffs

Influential sections of US industry have lobbied hard for climate legislation to include border measures, citing competitiveness concerns, the need to encourage large developing country emitters to adopt binding emissions targets, and fears of 'carbon leakage', in which firms would simply relocate to jurisdictions with fewer carbon restrictions, leaving global emissions unaffected or even increased. (See Bridges Trade BioRes, 20 March 2009, <http://ictsd.net/i/news/biores/43679/> and, 17 April 2009, <http://ictsd.net/i/news/biores/45217/>).

The border tax adjustment provisions helped secure support for the bill from some industrial state lawmakers anxious about further job losses in the manufacturing sector. Michigan Democrat Sander Levin, who chairs the House subcommittee on trade, supported the tariff penalties, arguing that they were necessary to prevent US industry from being placed at a competitive disadvantage. In the absence of an international agreement, he said, "this legislation ensures that the United States will avoid carbon leakage in its energy intensive and trade sensitive industries."

But many trade experts fear that unilaterally imposed border measures would have minor effects on emissions, but carry the risk of sparking damaging trade wars, ultimately hurting US exports, too.

Gary Hufbauer, a senior fellow at the Peterson Institute for International Economics in Washington, told the House subcommittee on energy and air quality in March that in the absence of broad multilateral action, trade measures would have limited success at addressing competitiveness concerns and emissions leakage. Import restrictions imposed by the US in the name of climate change, he warned, would likely elicit comparable retaliation by other countries.

He said that outside a multilateral context, it would be impossible to avoid a plethora of distinct mechanisms for border taxes and

comparability, resulting in "drawn out trade skirmishes and even trade wars."

Hufbauer argued that the US should "make an exceptional effort to negotiate agreed international rules before blocking imports or penalising foreign GHG control measures."

According to Hufbauer, an inability to avoid the creation of unique brands of import bans, border taxes, and comparability mechanisms could result in "drawn-out trade skirmishes and even trade wars."

Long road ahead for bill to become law

The narrow House vote presages the struggle ahead for climate legislation to become law.

Not least among the challenges will come when the Senate drafts legislation. A number of Democratic senators remain unconvinced about the merits of a cap-and-trade system. Many Republicans are violently opposed to what they view as a massive tax increase.

The border tax adjustments, too, are divisive. Sherrod Brown, the Ohio senator who is one of the chamber's most vocal trade sceptics, thinks that they do not go far enough to protect domestic industry. Republican Senator Charles Grassley has criticized the bill's potential violation of WTO rules (he would prefer that the Senate wait until there is an international climate agreement before taking any action on climate change, not just on border measures).

Some environmental advocates – as well as some members of Congress – will push for stricter pollution controls in any Senate legislation. They fear that the compromises made to secure the passage of the climate bill in the House would undermine its effectiveness at meeting its stated goal: cutting most emissions to 17 percent below 2005 levels by 2020.

The bill was peppered with exceptions giving free emissions allowances to a swathe of polluting industries, such as coal-reliant power utility companies. President Obama had originally proposed that all allowances should be auctioned off, raising revenue and putting more pressure on

businesses to change practices; instead, more than 70 percent of the allowances would be given away for a time period.

Meanwhile, a variety of business groups want pollution restrictions to be relaxed further.

BTAs and the WTO

The WTO compatibility of border measures linked to climate change policies is the subject of heated debate among trade lawyers.

Some argue that appropriately-designed tax adjustments could meet the requirements of multilateral trade rules. A recent joint analytical review of the relationship between trade and climate change by the WTO and the United Nations Environment Programme surveys the various arguments (see related story, this issue).

Articles II and III of the General Agreement on Tariffs and Trade (GATT), for instance, allow WTO members to impose charges on imported products equivalent to internal taxes and “other internal charges.” Indeed, border adjustments are commonly used for sales taxes to level the playing field between taxed domestic manufacturers and untaxed foreign competitors. But taxes are easy to quantify, while it is difficult to assess the quantity of carbon emissions resulting from the production of a particular good. Could carbon taxes or higher energy costs linked to a cap-and-trade system qualify for a similar adjustment?

Even if a border measure were inconsistent with core GATT rules, it might still be justifiable under Article XX. This article sets out the conditions under which WTO Members can restrict trade: if doing is necessary to protect human, animal, or plant life or health (XX(b)), or conserve exhaustible natural resources (XX(g)). However, a government would have to be able to demonstrate that its border tax adjustment policy is neither applied in a discriminatory manner nor a “disguised restriction” on international trade. It would also have to show that the measure is being applied squarely to avoid ‘leakage’, rather than to offset competitive concerns.

Climate change policies have never been challenged in the WTO dispute settlement system.

A WTO case against a country’s unilaterally-imposed border tax adjustments would undoubtedly be long and controversial.

Global climate action is the only durable solution to the competitiveness problem, says Michael A. Levi, director of the energy security and climate change programme at the Council on Foreign Relations. As a result, it is important for US lawmakers working on climate policy to take pains not to alienate other countries.

“Progress on the international front will depend mainly on cooperative action,” he wrote in a statement on the Council’s website. “Congress should make sure that in crafting US climate legislation, its trade measures don’t unnecessarily aggravate the external relationships that will be needed to get that done.”

ICTSD reporting; “Climate Change: Competitiveness Concerns and Prospects. Testimony before the Subcommittee on Energy and Air Quality, US House of Representatives, Committee on Energy and Commerce,” PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS, 5 March 2008; “U.S. Climate Change Legislation and the Use of GATT Article XX to Justify a “Competitiveness Provision” in the Wake of Brazil-Tyre,” INTERNATIONAL TRADE REVIEW, 2008; “Climate Plan Faces Challenge after Narrow US House Victory,” BLOOMBERG, 29 June 2009; “Obama Opposes Trade Sanctions in Climate Bill,” NEW YORK TIMES, 28 June 2008.

WTO, UNEP Issue Joint Report on Trade and Climate Change

As the world’s governments work towards a new international treaty on reducing greenhouse gas emissions, the trade implications of countries’ climate change policies have emerged as a point of serious contention.

Against this backdrop, the WTO and the United Nations Environment Programme (UNEP) have

jointly published a report describing the links between trade and climate change.

The analytical review forthrightly acknowledges that reducing trade barriers could lead to increased greenhouse gas emissions. Liberalizing trade could spur increased economic activity, in turn leading to greater energy use. But it stresses that the relationship is not that straightforward: trade opening could push a country to shift economic activity to less polluting sectors. Lower tariffs on climate-friendly technology could reduce the cost of fighting climate change – a point on which the report lays particular emphasis. And climate change itself could affect trade patterns, for instance, by changing the kinds of crops it is possible to grow in a country.

“Not a prescription, but an explanation,” was how UNEP Executive Director Achim Steiner described the report at its launch on 26 June. The largely descriptive book lived up to this billing, notable as much for its content as for the unprecedented cooperation it represented between the global trade body and the UN’s environmental office. It faithfully reported the conclusions of a wide range of studies by academics, NGOs, international organisations, and steered carefully clear of drawing controversial conclusions – although some might be unhappy with its refusal to rule out the possibility that curbs on trade for climate policy reasons could be deemed WTO-consistent.

The report opens with a survey of current scientific knowledge about climate change, outlining different projections for atmospheric greenhouse gas levels and estimates for how various parts of world would be affected in terms of food security, water resources, coastal infrastructure, health, and biodiversity. It looks at options for mitigation (reducing the rate and magnitude of climate change) and adaptation (action that aims to soften the blow of climate change, or take advantage of any benefits).

It then proceeds to review the economic literature on how the vast expansion in trade over the past sixty years has affected greenhouse gas emissions. One key insight reported is that greenhouse gas emissions are a global externality – they “are released into the global commons (the

atmosphere), and part of their cost is therefore borne by people in other countries.” Thus, while growing wealth has driven citizens to push their governments to reduce the effects of locally-concentrated pollutants, incentives to tackle carbon dioxide would be weaker. The relatively few environmental impact assessments of regional trade agreements that examined climate change often found an increase in trade-related emissions, principally due to transport.

In its description of multilateral efforts to tackle global warming, primarily the UN Framework Convention on Climate Change and the Kyoto Protocol, the report looks at the extraordinary success of the Montreal Protocol on reducing the consumption and production of ozone depleting substances. Many of the ozone depleting substances also happened to be significant greenhouse gases, with strong heat-trapping effects. Some experts estimate that the Montreal Protocol, which involved binding, time-targeted commitments for both developed and developing countries – but longer time periods and considerable financial assistance for the latter – has contributed four or gives times more to climate protection than the Kyoto accord would by 2012.

The part of the report most relevant to the raging debate on trade, emissions restrictions, and industrial competitiveness is the section on the trade implications on climate change-related policies.

This section examines a range of policies used by governments to promote energy conservation and the use of renewable energy, from energy efficiency labels to tax incentives and price and investment support for renewable energy. It points to the WTO rules relevant for these policies, mainly those on subsidies, intellectual property, and technical barriers to trade.

The report also examines the carbon taxes and cap-and-trade systems introduced by different countries, and looks at concerns about competitiveness and ‘carbon leakage’ arising from climate change policies. Studies have generally found that climate change policies have relatively small effects on competitiveness, except for in a

relatively small number of energy-intensive manufacturing industries.

For such cases, a wide range of measures have been proposed by governments and in academic literature to offset any competitive advantages that imports might enjoy. These include the use of free emissions allowances, border tax adjustments (effectively tariffs on imports or rebates for exports), countervailing duties (against 'de facto' subsidies in the form of absent carbon restrictions), and anti-dumping duties (against 'environmental dumping').

The report took a cautious approach, describing in detail the way such measures would interact with WTO rules. It stopped short of assessing actual WTO compatibility, although it made clear that much would hinge on the way policies were designed and applied. It also pointed to the practical challenges involved with border tax adjustments: assessing the emissions resulting from a particular product as an inexact science, and carbon prices fluctuate. A country without a carbon tax might still have costly-to-implement technical regulations for energy efficiency, making it hard to evaluate what constitutes "comparable action."

On the subject of extra import charges, mooted by some governments (and most recently the US House climate bill) as a means of shielding domestic industry from unfair competition and encouraging developing countries to accept emissions targets, the report noted that WTO rules already had detailed rules governing border tax adjustments (see related story, this issue). Indeed, such adjustments are already commonly used to compensate for sales and other consumption taxes. The debate, the report says, focuses on whether carbon taxes (or cost increases springing from cap-and-trade requirements) would be eligible for adjustment, and whether a tax on fuel used to power the manufacturing of a particular product could be counted as an indirect tax on that product.

"The general approach under WTO rules has been to acknowledge that some degree of trade restriction may be necessary to achieve certain policy objectives, as long as a number of carefully crafted conditions are respected," the report

noted, citing several WTO dispute rulings in which trade restrictions were deemed justifiable for health and environmental reasons.

Even if a "border measure related to climate change" was inconsistent with core GATT obligations, the report suggested that "justification might nonetheless be sought under the general exceptions to the GATT (i.e., Article XX)," such as those allowing trade restrictions to protect human health or the conservation of exhaustible natural resources. To do so, it would have to meet two conditions: "First, the measure must fall under at least one of the GATT exceptions, and a connection must be established between the stated goal of the climate change policy and the border measure at issue," and second, "the measure must not constitute a 'means of arbitrary or unjustifiable discrimination' or a 'disguised restriction on international trade'."

The report acknowledged that WTO case law showed that the second requirement "has often been the most challenging aspect of the use of the GATT exceptions."

Most developing countries are strongly opposed to border tax adjustments, not least because they would be the primary targets of such measures. Tariffs on their exports, they feel, would make them foot the bill for mitigating climate change, even though they bear little responsibility for existing levels of greenhouse gas emissions in the atmosphere.

At the report's launch, WTO Director-General Pascal Lamy said that while there was "undoubtedly" scope in WTO disciplines for national policies that pursue environmental goals, another question was worth asking as governments prepare for the Copenhagen climate conference in December: Do border tax adjustments create the right "political, psychological, [and] diplomatic" climate for governments to reach a post-Kyoto agreement?

Lamy reiterated his belief that the issue of competitiveness, like technology transfer, was best dealt with in the UN climate negotiations. If the internationally agreed framework for tackling climate change ultimately included trade measures

– as did the Montreal Protocol – the WTO would be able to adapt, he suggested.

Calling the ongoing global talks on climate change and trade liberalisation “an extraordinary moment in terms of multilateralism,” UNEP head Steiner said that the processes would determine whether climate change policies and the actions that flow from them are compatible with WTO rules, but also provide an opportunity to assess how compatible WTO rules are to global goals.

Both Lamy and Steiner urged the international community to reach an “equitable and decisive deal” at the UN climate convention meeting in Copenhagen. They also urged nations to conclude the Doha trade round.

The WTO chief plugged the Doha Round negotiations on liberalizing trade in environmental goods and services, saying that a multilateral accord in the long-struggling talks could help efforts to reduce emissions by lowering the cost of photovoltaic cells and windmills for power generation. But the report acknowledged that the price of climate friendly goods was only one of several factors affecting their diffusion.

The report is available online at http://www.wto.org/english/res_e/booksp_e/trade_climate_change_e.pdf.

ICTSD reporting.

Ministers Call For Green Growth at OECD Summit

“Green growth” is the solution to the global financial crisis, declared ministers from 40 countries at the Organisation for Economic Co-operation and Development’s (OECD) annual ministerial meeting last week. The participants also pledged to resist protectionism, promote business transparency, and collaborate with international actors in order to get the global economy back on its feet.

“We are talking about a paradigm shift in policy,” explained Korean Prime Minister Han Seung-Soo, who chaired the meeting, held 24-25 June in Paris.

“Technological development and actions to protect the environment and combat climate change can also be harnessed in favour of economic growth.”

The meeting’s participants included ministers from the 30 OECD member states, five candidates for membership – Chile, Estonia, Israel, Russia and Slovenia – and five emerging economies that partner with the OECD: Brazil, China, India, Indonesia and South Africa. Together, these countries represent 80 percent of the world’s economy.

The ministers issued two statements at the end of the meeting: a list of conclusions and a Declaration on Green Growth.

The ministerial conclusions outlined the participants’ objectives in light of the current economic climate. “Recovery plans should serve people by addressing the social and human dimensions of the crisis, through support for the most vulnerable, including active labour market policies, skills development, income support, effective social safety nets, pensions, education and enhanced training projects,” the countries pledged. The ministers also encouraged governments to adjust their fiscal policies in order to limit the effects of growing debt.

The Declaration on Green Growth called for green investment incentives, sustainable management of natural resources, and better biodiversity protection. The ministers also confirmed that trade liberalisation could advance – rather than impede – green growth. They also pledged to respect trade law when implementing climate change policies. “We are resolved to ensure that measures taken to combat climate change are consistent with our international trade obligations,” the declaration stated.

The OECD hopes that this document will promote environmental co-operation among OECD members as well as with non-members, particularly in the run up to the UN climate conference in Copenhagen in December.

“We have recognised the importance of well-targeted policy instruments encouraging green investment to contribute to both short-term

economic recovery and long-term green infrastructure,” said OECD Secretary-General Angel Gurría. “This is a significant signal and staging post on the road to what we hope will be an ambitious agreement on climate change in Copenhagen at the end of the year.”

The participants called for a swift conclusion to the Doha round of trade negotiations, noting the need for export credits for developing countries and emerging economies. They committed to openness and non-discrimination and denounced protectionism in order to better facilitate international trade and investment.

The declaration invited the OECD secretariat to develop a “Green Growth Strategy,” which will take into account green growth initiatives in both OECD member and non-member states and will incorporate prior work done by the OECD as well as the resolutions of the climate change conference in Copenhagen. The strategy document is slated for release in 2010.

A green approach to economic recovery was one of many policy recommendations offered in the OECD Strategic Response to the Financial and Economic Crisis, a report published under the responsibility of the OECD Secretary-General in December 2008. The economic slowdown should not weaken efforts to achieve long-term, low-carbon economic growth, the report warned. Instead, recovery efforts should invest in green technologies, especially for infrastructure projects with a long lifespan.

The Secretary-General’s report recommended a two-pronged approach to recovery, addressing finance, competition, and governance on the one hand and sustainable economic growth on the other. On the finance side, the report recommended international co-operation on corporate governance principals and the removal of tax barriers which impede the performance of financial markets. On the sustainable development side, the report recommended pro-labour policies and stressed the importance of keeping markets open, in addition to environmentally-friendly development.

The ministerial meeting came on the heels of the OECD economic forum, held 23-24 June, during

which the OECD released its latest economic outlook for 2009 and 2010. The OECD projected that rich economies will shrink by 4.1 percent this year, and grow by 0.7 percent in 2010. These figures are slightly better than its March projections of contractions of 4.3 percent in 2009 and 0.1 percent in 2010. This report marks the first time OECD has raised its economic outlook in two years.

Despite the mild upgrade, no one is under the illusion the recovery process will be easy. “Economic activity in the OECD countries is reaching bottom,” OECD Secretary General Angel Gurría told reporters. “We foresee a recovery that will be rather slow and fragile for some time.”

ICTSD reporting; “OECD Body Adopts 'Green Growth' Declaration,” THE KOREA TIMES, 30 June 2009; “OECD Raises Outlook for First Time in Two Years (Update 2),” BLOOMBERG, 24 June 2009.

IN BRIEF

Food prices projected to resume historical decline: OECD, FAO

Prices for wheat, rice and coarse grains are expected to resume their historical decline, after reaching record highs in 2008, says a joint report from the UN Food and Agriculture Organization and the Organisation for Economic Cooperation and Development.

Prices for some commodities, especially those used for biofuels such as vegetable oils and corn, are being propped up by government mandates on blending or minimum usage requirements in the transport sector, the report found. If the mandates are altered, prices for these products will also decline.

The report, issued annually by the OECD-FAO, provides insight on trends in global agriculture.

This year's version responds to a year of record high food prices, followed by sharp declines as the

global financial crisis broke. Since food is a basic necessity, the report predicts that the agricultural sector will be relatively resilient in the face of the economic crisis, even if prices for many commodities will be lower than last year.

It predicts that over the next ten years, agricultural commodity prices will remain 10 to 20 percent higher than the average for the period 1997-2006, but in a pattern that continues the global decline seen prior to the recent spike. This decline is explained in part by decelerating global population growth and the increasing productive capacity of many of the world's farms.

The report forecasts increased price volatility and trade flows, resulting from increasingly frequent weather disturbances, growing economic interdependence and the linkages between food and fuel markets.

The report holds oil prices and overall trends in consumer behaviour – such as demand for meat and dairy – partially responsible for both the rise and the fall in prices. Rising incomes in the long term may drive up food prices, through increased demand for meat, even if population growth slows. In the short run however, the economic crisis may stunt the steady growth in income and demand for oil that emerging economies countries have experienced.

The report argues for the importance of food security for the world's most vulnerable farmers but stops short of examining the role that developed country farm subsidies may have played in undermining developing country agricultural production. It argues that access to food could decline for the poorest even as the total amount of food available increases.

The OECD and the FAO suggest that aid for improved infrastructure and research and development in agriculture, along with more open markets and diversification away from heavy economic dependence on agriculture, will contribute to the alleviation of poverty and the reduction of food insecurity.

The report is available at <http://www.agri-outlook.org>

ICTSD reporting.

China, India Spar over Trade Bans of Dairy Products, Cell Phones, and Toys

Beijing may retaliate against India's recent decision to extend an import ban on Chinese dairy products, the Times of India reported Wednesday.

"If India insists on this decision, China will respond to the safety and quality of imported products from India," the Indian daily quoted from a letter sent by the Chinese quality control bureau to the Indian embassy in Beijing.

The statement came after India announced 17 June that it would extend its ban on Chinese dairy imports for six months. The ban, in effect since September 2008, was slated to expire last week. In the fall of 2008, more than 20 countries imposed at least a partial ban on Chinese dairy after the chemical melamine was found in milk, infant formula, and other products. Melamine, which is used to make plastics and fertiliser, is known to cause kidney stones and organ failure when ingested. Thousands of people, mostly children, became sick after consuming the tainted dairy products; a handful died.

But milk is far from the only Chinese product that has been the subject of trade tensions between the world's two most populous countries. In addition to the dairy ban, New Delhi has banned cell phones and toys made in China, citing safety and health concerns.

The cell phone ban applies specifically to phones without an International Mobile Equipment Identity number, which allows enables officials to track the sale and use of mobile phones. Indian authorities are concerned about these phones because they have been used by terrorists to communicate with each other or to set off bombs. About 800,000 such phones enter India from China each month.

India also banned the import of Chinese toys, citing high lead content, but relaxed the ban when

Beijing pointed out that New Delhi had not placed similar restrictions on toys from other countries. The ban will not apply to Chinese toys that are certified by the International Laboratory Accreditation Cooperation.

Beijing believes Chinese products are being unfairly stigmatised. China has invoked the WTO/SPS agreement, requiring India to provide the basis for its ban on dairy products. China points out that it has taken several measures to address the dairy problem, prompting several countries to lift their import bans.

The Times of India described the trading partners as “on the brink of a trade war” due to the Chinese letter and history of tension between the trading partners. But others downplayed these concerns. “The ban does not cover a large number of consumer electronic items, engineering items, furnishing items and other items. So a selective and limited ban doesn’t affect the overall trade volumes between the countries,” said Rajesh Rathi, vice-president of Chinese electronics firm TCL India Holdings.

At least until the global financial crisis dealt a severe blow to global trade flows, trade between India and China had been growing rapidly. In 2007, India and China conducted US \$ 34 billion in two-way trade. Eleven percent of India’s imports came from China.

ICTSD reporting; “China warns of tit-for-tat over dairy ban,” TIMES OF INDIA, 1 July 2009; “China suffers from poor brand image syndrome,” THE ECONOMICS TIMES, 28 June 2009; “Govt bans import of Chinese mobiles, dairy products, toys,” TIMES OF INDIA, 18 June 2009; “India extends ban on Chinese milk products,” INDO-ASIAN NEWS SERVICE, 17 June 2009.

WTO IN BRIEF

Pork Exporters Condemn ‘Swine Flu’ Import Bans

Several exporting countries chastised their fellow WTO Members last week for imposing ‘unjustified’ import bans on live pigs and pork products in response to the recent outbreak of the H1N1 ‘swine flu’ virus.

The complaints were one of several grievances aired at a 23-24 June meeting of the WTO’s Committee on Sanitary and Phytosanitary Measures, which deals with trade-related aspects of food safety and animal and plant health.

Countries ranging from China to Ecuador implemented a string of pork import bans shortly after the virus, which is thought to have originated in pigs, first made international headlines in April (see Bridges Weekly, 29 April 2009, <http://ictsd.net/i/news/bridgesweekly/45787/>). Pork prices tumbled with the fall in demand for exports, and producers in many countries took a hit.

Australia, Canada, the Dominican Republic, Mexico, Japan, and the US were among those leading the charge against the recently imposed embargoes at last week’s meeting. The US delegate argued that not a single case of H1N1 flu “has even been tentatively linked” to the consumption of pork or the handling of pigs. That position has been supported by the WTO, the World Health Organization, the UN Food and Agriculture Organization, and the World Organization of Animal Health (OIE), several exporters noted. The four intergovernmental bodies issued a statement in May that found that there is “no justification” for bans on pigs or pork products. The exporters further argued that several of the import prohibitions had not been notified to the WTO – an oversight that amounts to a violation of the WTO’s Agreement on Sanitary and Phytosanitary Measures (the SPS Agreement).

But several of the countries that have imposed the pork bans – which include China, Jordan, Indonesia and Ukraine – countered that the measures were temporary, that they had been taken to protect public health, and that they might be removed after scientific evidence has been examined.

In other business, members of the committee seemed to warm to a proposal that would increase

the role that the chair of the SPS committee plays in mediating health- and safety-related trade disputes. While Members generally approved of the notion, which was put forward by Argentina and the US, some expressed concern that establishing a set of guidelines for intervention by the chair might undermine similar discussions in the WTO's committee on non-agricultural market access, or NAMA. However, if the SPS proposal were to go forward, its mandate would expire once WTO Members agree on – and implement – an overall NAMA deal.

The SPS Committee will hold its next meeting on 28 and 29 October.

ICTSD reporting.

EVENTS & RESOURCES

Events

If you would like to submit an event, please email bridges_weekly@ictsd.ch.

Coming up: 2 - 8 July

2 July, Geneva Switzerland. GLOBAL ENVIRONMENTAL GOVERNANCE: REFLECTING ON THE PAST, MOVING INTO THE FUTURE. This high-level panel discussion will consider what has and hasn't worked in global environmental governance, the core challenges that lie ahead in the field, and how momentum for action can be created. It will feature former UNEP Executive Director Mostafa Tolba; Ambassador Lumumba Di-Aping, the chair of the G77; former US Ambassador John McDonald; and John Scanlon, principal advisor to the current head of UNEP. Laurence Boisson de Chazournes of the University of Geneva and Maria Ivanova of the College of William & Mary will moderate the discussion. For more information, please see <http://ictsd.net/downloads/2009/06/global-environmental-governance-2-july-flyer.pdf>.

6-9 July, Geneva, Switzerland. UN ECONOMIC AND SOCIAL COUNCIL 2009 ANNUAL MINISTERIAL REVIEW. The 2009 Annual Ministerial Review (AMR) will convene during the

High-level Segment of the annual session of the UN Economic and Social Council (ECOSOC), under the theme "Implementing the internationally agreed goals and commitments in regard to global public health." It will provide an opportunity to assess the state of implementation of the UN Development Agenda; explore key challenges in achieving the international goals and commitments in the area of global public health; and consider recommendations and proposals for action. For more information, please see <http://www.un.org/ecosoc/newfunct/amr2009.shtml>

WTO Events

An updated list of forthcoming WTO meetings is posted at http://www.wto.org/meets_public/meets_e.pdf. Please bear in mind that dates and times of WTO meetings are often changed, and that the WTO does not always announce the important informal meetings of the different bodies. Unless otherwise indicated, all WTO meetings are held at the WTO, Centre William Rappard, rue de Lausanne 154, 1211 Geneva, Switzerland, and are open to WTO Members and accredited observers only.

2 July: Committee on Agriculture
3 July: Working Party on the Accession of Yemen
3 July: Negotiating Group on Trade Facilitation

6-7 July: Second Global Aid for Trade Review

Other upcoming events

10 July, Geneva, Switzerland. BOOK LAUNCH: IMPLEMENTING THE WORLD INTELLECTUAL PROPERTY ORGANIZATION'S DEVELOPMENT AGENDA. The latest in the Geneva Seminars for Development Research (GSDR) series, this seminar marks the global launch of *Implementing the WIPO's Development Agenda*, a new book containing insights on reforming international intellectual property policies and institutions. It is edited by Jeremy de Beer with a foreword by Daniel J. Gervais and an afterword by Christopher May. Publication of this book is the first stage in an ongoing project involving a multidisciplinary network of experts from developing and developed countries working to monitor, assess

and advance implementation of development-oriented reforms at and beyond WIPO. The objective of the GSDR seminars is to provide an international platform for researchers, academics and practitioners, particularly from developing countries, to share and test the results of their research on the development dimension of issues that are the subject of discussion and/or standard-setting in key Geneva-based international organisations. To register, please send an email to alexander@iqsensato.org.

16-17 July, Paris, France. WORKSHOP ON TRADEMARKS AND TRADEMARK DATA. This workshop is co-organised by INNO-tec and the Organisation for Economic Co-operation and Development (OECD), with the support of the Strike network. The goal of this workshop is to present and discuss current work and analyses conducted on trademarks from various perspectives, so as to better understand their functioning and their effect on firms and markets. Despite their importance in economic life, trademarks and trademark data have long been neglected in the economic literature on industrial organisation, contrasting with the larger attention paid to patents. For the last ten years, a growing number of researchers have taken an interest in this topic. It has been noted that trademarks could bring interesting information on firm and market dynamics, as they seem to be related to key-variables such as firm performance or innovative activity. For further information, please contact Ms Valentine Millot: valentine.millot@oecd.org.

16-22 August, Stockholm, Sweden. 2009 WORLD WATER WEEK. Organised by the Stockholm International Water Institute (SIWI), the 2009 edition of this annual event will focus on the theme: "Responding to Global Change: Accessing Water for the Common Good." This event will bring together experts, practitioners, decision makers and leaders from around the globe to exchange ideas, foster new thinking and develop solutions. By harnessing and linking best practices, scientific understanding, policy insight and decision-making, the program aims to transcend rhetoric and provide real answers to the world's water-related problems. This event features a comprehensive agenda of workshops, seminars and side events that undertake in-depth examinations of the most critical issues,

complemented by prize ceremonies, field trips and events that provide an abundance of opportunities for the professional networking. For more information, visit <http://www.worldwaterweek.org/>.

28-30 September, Geneva, Switzerland. WTO PUBLIC FORUM 2009. Under the heading "Global problems, global solutions: towards better global governance," the World Trade Organization (WTO) Public Forum 2009 will gather civil society representatives, governments and international organisations to discuss the role of the multilateral trading system and the Doha Round of negotiations within the context of the current global economic crisis. For more information, send an email to publicforum2009@wto.org, or see the event's website http://www.wto.org/english/forums_e/ngo_e/forum09_background_e.htm

Resources

GLOBAL TRADE ALERT, Centre for Economic Policy Research. As many economies witness the sharpest falls in their exports in decades and with unemployment rising to levels not seen since the early 1980s, fears are growing that governments may be tempted to renege on this pledge. Global Trade Alert provides information in real time on state measures taken during the current global economic downturn that are likely to affect foreign commerce. The Centre for Economic Policy Research coordinates the initiative, under the direction of Professor Simon Evenett, Co-Director of CEPR's international trade programme. The site can be accessed at <http://www.globaltradealert.org/>

LAND GRAB OR DEVELOPMENT OPPORTUNITY? AGRICULTURAL INVESTMENT AND INTERNATIONAL LAND DEALS IN AFRICA, IFAD, IIED and FAO, June 2009. Over the past 12 months, large-scale acquisitions of farmland in Africa, Latin America, Central Asia and Southeast Asia have made headlines in a flurry of media reports across the world. This report is the first detailed study of these large land acquisitions, including purchases

or leases, in Africa. It highlights the misconceptions about what have been designated as land grabs. It notes that land-based investment has been rising over the past five years due to food security concerns, food supply shortage and growing production of biofuels. It indicates that while foreign investment dominates, domestic investors are also playing a big role in land acquisitions. To download the report, please visit http://www.ifad.org/pub/land/land_grab.pdf

LATIN AMERICA AND THE CARIBBEAN: ECONOMIC SITUATION AND OUTLOOK 2008-2009, UN Economic and Social Commission, June 2009. This report finds that economic activity in the Latin American and Caribbean region grew by 4.2 percent in 2008. However, it notes that these results will not be repeated in 2009, due to the impact of the financial crisis and high unemployment rates. The authors conclude that the slowdown of the world economy, which has affected the price of primary commodities and volume of exports, has had an impact in reducing remittances, demand for tourism services and foreign direct investments. The report can be accessed at <http://daccessdds.un.org/doc/UNDOC/GEN/N09/325/49/PDF/N0932549.pdf?OpenElement>