



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

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LEAD STORIES

Note to Subscribers

Next week, Bridges will be reporting daily from the WTO's seventh ministerial conference in Geneva. The updates will be distributed by email and posted online at <http://ictsd.org/news/ministerial/geneva2009/>.

Following the ministerial, the next issue of Bridges Weekly will be published on Wednesday, 9 December.

Developing Countries Close to Deal to Boost South-South Trade

A group of developing countries has tentatively agreed on a deal to cut tariffs and other barriers to each others' exports in an attempt to boost South-South trade at a time when multilateral liberalisation efforts are languishing.

Trade officials report that negotiators from 22 nations on Wednesday reached an outline agreement on a new round of concessions under the Global System of Trade Preferences among Developing Countries (GSTP), following days of meetings at the Geneva headquarters of the UN Conference on Trade and Development (UNCTAD).

The draft agreement will be submitted to ministers from participating countries for discussion and approval at a meeting scheduled for 2 December. The ministers will be in Geneva for the WTO's ministerial conference starting 30 November.

Countries participating in the talks range from wealthy South Korea and relatively large emerging economies such as Brazil, India, and Indonesia, to North Korea and Zimbabwe. Notably absent are China and South Africa.

Under the terms of the tentative accord, participating states would lower tariffs on exports of some 70 percent of each others' agricultural and manufactured goods. These tariff cuts would not be extended to other countries. Once the deal is adopted, each country will draw up a list of products eligible for tariff cuts, and then submit them to other participants for negotiation and verification. The 'margin of preference' appears likely to be at least 20 percent below currently applied MFN tariff levels. What this would mean in practice is that if India levied a 10 percent duty on car parts imported from the US, identical parts coming from Brazil would face a tariff of 8 percent or lower.

This departure from the WTO's 'most-favoured nation' principle – the institution's core notion that members should bind tariffs at the lowest rate made available to any other WTO member – is sanctioned by the Enabling Clause of the General Agreement on Tariffs and Trade, which authorises such preferential trade arrangements among developing and least-developed countries.

Sources say that the basic 'modalities' for the GSTP expansion could subsequently be supplemented with a 'request-offer' process in which countries could seek additional tariff cuts for individual products or changes to non-tariff measures.

The GSTP, which has 43 members, took effect in 1989 after more than a decade of discussions within the UN's G-77 caucus of developing countries. However, only 22 have chosen to participate in the current round of concessions, which was launched in Sao Paulo in 2004 with a call for "a package of substantial liberalisation commitments on the basis of mutuality of advantages in such a way as to benefit equitably all GSTP participants." Neither China nor South Africa is a member of the GSTP; they thus have not been participating in the ongoing round of negotiations. The Sao Paulo declaration that launched the talks formally invited all members of the G-77 and China to join the GSTP.

South-South trade more than tripled between 1996 and 2006, reaching a total of more than US\$ 2 trillion, according to UNCTAD. With growth rates in the industrialised world still anaemic,

policymakers have argued that trade among developing countries can drive recovery from the global financial and economic crisis.

In the troubled Doha Round trade negotiations at the WTO, industrialised countries have stressed that deeper tariff cuts by large emerging economies would expand South-South trade, not just commercial opportunities for their own exporters. At least in theory, the GSTP provides an avenue for expanding South-South trade, albeit not among all developing country members of the WTO, without fully exposing markets to Northern competition.

Thus far, however, the GSTP's effectiveness has been limited. Diplomatic sources say that businesses are not making much use of existing market access provisions, in part because their coverage is spotty, and in part because their value has been eroded by tariff liberalisation in the intervening years.

An analysis by international charity Oxfam in 2004 said that market access negotiated under the GSTP up to that point was "not economically significant" in comparison to autonomous liberalisation, or to tariff cuts arising from regional agreements, the WTO, or pressure from the World Bank and International Monetary Fund. "GSTP negotiations have suffered from the unwillingness of some members to make concessions in the hope that they could gain benefits for free," it concluded. The scheme's future effectiveness would depend on the political will of its members, and their ability to attract new participants.

A more optimistic take came from a paper* published in 2005 by Masahiro Endoh, an economist then based at Yale. On the basis of trade data from 1970 to 1995, Endoh concluded that the GSTP had been successful at attaining its stated goal: expanding trade in capital goods between participating countries. The ratio of participating countries' intra-GSTP trade to their total trade more than doubled, and the bulk of trade within the block shifted heavily to capital goods from more basic commodities. Furthermore, evidence suggested that the trade was being created, rather than simply diverted from more efficient sources. Endoh

acknowledged that the growth needed to be kept in perspective: from 1.49 percent in 1970, the share of intra-GSTP trade grew to 3.74 percent in 1995, still a small fraction of the total.

Today, according to the UNCTAD, intra-GSTP trade accounts for closer to a quarter of the total, most of it in manufactures. The UN body estimates that a 50 percent cut in intra-GSTP tariffs could boost exports within the group as much as US\$ 20 billion. A 20 percent cut would generate export gains of US\$ 7.7 billion. However, over half the projected increases would arise from diversion.

More information

The study by Masahiro Endoh, "The effects of the GSTP on trade flow: mission accomplished?", was published in the Journal of Applied Economics, 2005, 37, 487–496.

To view slides from an UNCTAD presentation on GSTP trade, please visit <http://www.unctadxi.org/Secured/GSTP/Article/s/GSTPPresentationPuri.ppt>

ICTSD reporting; "Developing countries ready tariff deal without WTO," REUTERS, 19 November 2009.

Banana Agreement Nearly Ripe: Delegates

The long-running dispute over trade in bananas is close to being settled, say delegates familiar with intensive talks held recently on the controversial issue. However, negotiators warn that a final banana accord may only be inked when a deal is also struck on other key products in the WTO's Doha Round – such as sugar, rum or tobacco.

"The deal is almost done, and I think it cannot be undone," sighed one official whose country has sought gentler and slower tariff cuts for products such as bananas and sugar in the Doha talks.

While Latin American countries in particular have argued for faster and more extensive liberalisation for bananas and other products, this has been

resisted by former European colonies in the African, Caribbean and Pacific (ACP) group. Often less competitive than their Latin American counterparts, ACP countries fear that losing preferential access to EU markets could badly hurt their producers.

EU Trade Commissioner Catherine Ashton told Reuters last week that the dispute could be resolved "later this week or early next week," raising expectations of a rapid conclusion to the talks. "We are in the closing stages of what could be the end of this long dispute," she said.

One delegate acknowledged that the banana deal was "basically there," with few remaining areas of outstanding contention. However, another official who is involved in the talks warned that it would be "premature to say we're there yet," and emphasised the need to "have the banana agreement inscribed in the wider logic" of related negotiations on 'tropical products' and preference erosion before a final deal is concluded.

"The three strands need to come together at the same time," the official said.

Tariff cuts

The draft deal is expected to cut the EU tariff faced by Latin American exporters to 114 euros per tonne, from the current 176 euro per tonne over a period of eight years (see Bridges Weekly, 11 November 2009, <http://ictsd.org/i/news/bridgesweekly/59222/>). The tariff cuts would begin with an immediate 'down payment' cut of 28 euros per tonne.

The deal is based on an outline accord between the EU and Latin American in July 2008, ahead of a mini-ministerial gathering in Geneva. When talks broke down on other issues, the tentative agreement on bananas was never finalised.

One recent study by Professor Giovanni Anania of the University of Calabria looked at the implications of the July 2008 accord and projected that EU banana imports would increase by 6 percent between 2005 and 2016. ACP exports to the EU would decrease by 14 percent over the same period, while there would be a 17 percent increase in exports from other countries, largely

Latin American. (The study was commissioned by ICTSD, which also publishes Bridges Weekly.)

One source indicated that the banana deal had now been submitted to the US for “legal vetting,” a prerequisite for finalising any eventual pact. Another noted that the entry into force of the Lisbon Agreement in the EU could mean that governments' legal experts were also reviewing the procedural requirements for approving the agreement in Europe.

Aid

Key to any eventual accord would be the amount of aid that the EU agrees to provide to ACP countries. A draft text seen by Bridges would require the EU to provide 190 million euros as 'Banana Accompanying Measures' – or BAMs – to help these countries restructure their economies.

One negotiator who is close to the negotiations indicated that the ACP had initially sought compensation of 500 million euros, while the EU offered a lower figure of around 100 million euros (see also Bridges Weekly, 29 April 2009, <http://ictsd.org/i/news/bridgesweekly/45769/>). The latest proposal from the EU would provide up to 190 million euros, plus an additional 10 million euros if these “should become available in the course of the annual budget procedure.” However, the source reported that “the EU has said it can't go beyond that”.

The ACP countries are keen to include a 'more mandatory' clause requiring the EU to review the situation in the future and provide additional aid if needed, the source said.

Tropical products, preference erosion

Talks are continuing on the specific cuts that would be undertaken by 'tropical products' – for which Latin American countries in particular seek faster and deeper tariff cuts in the Doha Round – and also on products likely to be affected by preference erosion, for which ACP countries are seeking the opposite treatment. As there is considerable overlap between the lists of products that have been proposed by both groups, negotiations have been taking place at a highly detailed level, with talks on how individual tariff lines will be treated in given import markets.

“We've concentrated on talks with the EC, but now we need to finish work with the US and Japan,” said one exporting country involved in the negotiations. Other sources confirmed that negotiations are now focusing on how products would be treated in the US.

With agreement on bananas reportedly close, sugar remains the next most controversial product; however, delegates mentioned that rum, tobacco, cut flowers, arrowroot, palm oil, groundnut oil, coffee and melons were also under discussion with importers.

A small-group meeting convened on Thursday by the chair of the agriculture negotiations, Ambassador David Walker of New Zealand, lasted only half an hour, one source said. Negotiators have asked to be allowed to conclude their bilateral talks in this area before presenting the progress achieved to the broader WTO membership.

An announcement on the banana deal at next week's WTO ministerial conference was now unlikely, several sources said. Instead, the agreement was more likely to be submitted to the organisation's General Council when it meets on 17 December. Members would have 90 days to raise objections; however, if ACP countries were to do so, the EU would not consider itself bound to follow through on its promised commitments concerning Banana Adjustment Measures.

More information

The ICTSD report on bananas is available at <http://ictsd.org/i/publications/50782/>

ICTSD reporting; “EU set to cut tariffs on Latin American bananas,” REUTERS, 18 November.

COPENHAGEN COUNTDOWN

Technology and Finance: Complementary Catalysts for Climate Action

Each week leading up to the UNFCCC's 15th Conference of the Parties, Bridges Weekly will be providing readers with background and analysis on key issues facing negotiators as they prepare for December's meeting in Copenhagen. This week's article, the last in the series, highlights the discussions on climate technologies and financing.

Governments around the world will need to access and implement a host of new technologies to reduce their greenhouse gas emissions and adapt to the changing climate. But whether countries, especially poor countries, will be able to harness those technologies largely hinges on whether climate negotiators will be able to establish mechanisms to make those products readily available – and useable.

The development and transfer of clean-energy technologies, with the support of adequate financing, has the potential to multiply countries' emissions reductions. Such technologies have the added benefit of fuelling economic and social development by increasing investment flows and enhancing countries' capacity to develop and use technologies. As many rich-country politicians have stressed, massive investments in new climate tech can create new jobs in 'green' manufacturing and services.

If developing countries can gain access to both climate technologies and climate financing, they will be better equipped to both address climate change and promote sustainable development at home. Indeed, the potential synergies between technology and financing have been front and centre in the negotiations of the United Nations Framework Convention on Climate Change (UNFCCC). Although a legally binding deal is no longer expected to emerge from next month's meeting in Copenhagen, technology and financing will no doubt be major elements of the political agreement that is likely to emerge from the conference. Details will be further elaborated in

future negotiations towards a legal treaty, when the time comes.

Technology – making it happen

Developing countries' access to and 'uptake' of mitigation and adaptation technologies will require a broad array of support systems. In particular, regulatory and financial policy tools are important first steps to ensuring that technologies and financing are delivered effectively and equitably. In the context of the UNFCCC negotiations, countries have called specifically for the establishment of funds, mechanisms, and plans that 'enhance enabling environments' for climate technologies, including technology-specific policies and measures that generate adaptation or mitigation benefits.

Recent studies show that regulations and fiscal incentives can play an important role in creating markets for renewable energy and may in fact be more important than tariffs in affecting trade flows for a number of renewable energy goods. Thus, any tariff reductions on 'environmental goods' – like solar energy collectors and hydrogen fuel cells – will need to be supplemented by regulatory and fiscal policies that can help build markets for those products.

The role of international assistance in creating such an 'enabling environment' is particularly significant for developing countries, which may not yet have the resources or institutional capacity to do so on their own. Such assistance could come in the form of soft loans or financial incentives, including for research and development, which could help leverage private capital flows. (See section on financing below.)

In addition to finance and technology through the market-based mechanisms, parties have also put forward proposals that would aim to directly spur technology transfer and development. Some of these proposals – especially those on environmentally sustainable technologies (ESTs) – are strikingly similar to requests that have been made in the ongoing WTO negotiations on environmental goods and services (EGS).

One specific proposal in the climate talks, for example, would provide financial support through

the UNFCCC to help developing countries build new EST manufacturing facilities fitted out with low-GHG emission technologies. Another relates to the creation of a 'technology mechanism' to accelerate the development, adoption and transfer of environmentally sound technologies. Both of these proposals directly echo demands that a number of developing countries have made in the EGS negotiations at the WTO. In those talks, poorer countries have stressed that they will need help building their supply-side capacities for EGS, and that the transfer of technology must be one of the outcomes of the EGS negotiations.

Speaking informally, some delegates have pointed out that technology transfer and diffusion can only be meaningfully operationalised outside the WTO. At least as far as climate change is concerned, the UNFCCC certainly appears to be the forum where discussions have been most advanced. Meanwhile, WTO members are still haggling over how to give shape to a deal on technology transfer. Broader discussions on the issue have been going on within a Working Group on Technology Transfer, but critics say that the group has failed to deliver meaningful results.

Another trade issue -- the development and application of international standards and testing procedures -- has also arisen in the climate discussions, with notable links to WTO rules. Draft UNFCCC negotiating text includes proposals for countries to "...participate, to the extent possible, in international programmes that support the development and use of common performance standards, testing, verification and certification programmes." Such standards and testing procedures are particularly important with regard to trade in energy-efficient products. Standards that do not conform to the procedures set out in the WTO's Agreement on Technical Barriers to Trade (TBT) could be considered illegal non-tariff barriers. The language in the UNFCCC text has echoes of Article 2.4 in the TBT Agreement, which calls on members to base their national standards on international ones, with some limited exceptions.

Financing is key

Financing will play a critical role in helping developing countries make use of any new

technologies they might gain through a global climate deal. Proposals in the UNFCCC negotiations address this question by, for example, suggesting that the UNFCCC provide financial support to cover technology-related incremental costs borne by developing countries, including research and development and patent-related costs.

Another particularly constructive proposal in the draft text on financing would establish a global fund to support a global 'feed-in tariff' programme. Financing for feed-in tariffs in developing countries would more readily incentivise utilities and consumers to switch to renewable energy sources. Many countries and regions have already carried out national- or state-level versions of such a programme. Recent research by Jha (2009) indicates that feed-in tariffs are particularly important in the creation of a market for renewable energy.

The Kyoto Protocol's Clean Development Mechanism provides a telling example that can offer lessons for future offset and technology transfer initiatives. The CDM is a flexibility mechanism that allows developed countries to offset their Kyoto-based emissions commitments by purchasing carbon credits from developing countries. These credits are created from new carbon reduction projects that typically involve the purchase and introduction of new technologies for the sector in question.

During recent climate negotiations, Argentina pointed out that its most significant barrier to developing CDM projects has been a lack of access to up-front investment finance. Private sector investment specialists point out that investment naturally flows to the projects with the largest mitigation potential; this is the ultimate objective of the offset mechanism, they say. However, as the CDM is the UNFCCC's only source of finance and technology, and as offset mechanisms will certainly play a significant role in a future regime, it is critical that a wide range of countries be able to make use of the mechanism.

To address such concerns, some parties have suggested engaging the business and financial sectors by providing national-level incentives to mobilise private capital. Such incentives could

come in the form of concessional loans, risk guarantees, tax exemptions or subsidies for the owners of patented environmental technologies who willingly make their products available to developing countries. Notably, this recommendation has echoes of Article 66.2 of the WTO's Agreement on Trade-Related Aspects of Intellectual Property, which states that rich country members "shall provide" incentives for domestic businesses to "promote and encourage" technology transfer to least developed countries. Critics note that Article 66.2 has yet to be meaningfully operationalised. It is possible, however, that the gravity of the climate crisis could act as a catalyst for the effective implementation of both the WTO and UNFCCC commitments.

ICTSD reporting.

IN BRIEF

Ashton to Step Down as EU Trade Commissioner on 1 Dec

The European Union will be getting a new trade commissioner fewer than 14 months after Catherine Ashton was appointed to the post.

Lord Baroness Catherine Ashton of Upholland, formerly head of the UK's House of Lords, has grabbed headlines around the world since it was announced on 19 November that she has been chosen to become the European Union's first 'High Representative of Foreign Affairs and Security Policy'.

Lutz Guellner, a spokesman for the EU Trade Commission's office, said that Ashton will likely step down as trade commissioner as of 1 December, although she will probably not be officially confirmed in her new post until early 2010. In the meantime, she will serve as the EU's 'acting' foreign affairs representative, Guellner added.

Guellner could not confirm whether Ashton will participate in next week's WTO ministerial

conference, although he said it was "very likely" that she would be in attendance on the first day of the meeting, 30 November, when she will still be officially in her post. Beyond that, he could not say for sure, but stressed that the EU would be represented "at the commissioner level" throughout the three-day meeting.

Ashton was appointed to the trade post in October 2008 when the previous trade commissioner, the UK's Peter Mandelson, was called back to London to serve as a member of the cabinet of Prime Minister Gordon Brown (see Bridges Weekly, 9 October 2008, <http://ictsd.org/i/news/bridgesweekly/30855/>). At the time, Ashton, who had virtually no experience on trade issues, was criticised by some as under-qualified for the job. Since then, however, she has reportedly proven herself among her colleagues.

"I have had the great privilege and pleasure to work with Commissioner Ashton on a number of important multilateral and bilateral trade issues over the past year, and I can say from my numerous exchanges with her that she possesses formidable intelligence, vision, compassion, and charm," United States Trade Representative Ron Kirk said in a statement. Her appointment to the EU's top foreign policy post "is good news both for Europe and the United States," he said.

Who is to succeed Ashton has not yet been decided, but the process to fill her post is underway. Earlier this week, the last EU member states submitted their commissioner nominations to the president of the European Commission, José Manuel Barroso. Barroso, who has to fill more than two dozen posts in the executive arm of the European Union, is expected to announce a potential new line-up of commissioners early next week. Those appointments must then be approved by the European Parliament, which will begin hearings on the matter in January.

ICTSD reporting; "Barroso vows to resist jockeying for jobs," THE FINANCIAL TIMES, 24 November 2009.

Committee Sees Some Progress on Implementing WIPO Development Agenda

The fourth session of the Committee on Development and Intellectual Property (CDIP), which met from 16 to 20 November, witnessed some progress on the implementation of a number of WIPO Development Agenda recommendations.

The World Intellectual Property Organization's Development Agenda, which was adopted in 2007 and consists of a total of 45 specific recommendations, aims to ensure that WIPO fully integrates the development dimension into all of its activities, consistent with its status as a UN Agency and with the UN Millennium Development Goals.

Last May, the CDIP adopted a project-based approach to implementing the WIPO Development Agenda recommendations that were not eligible for immediate implementation. In this regard, WIPO's Director General, Francis Gurry, noted at the outset of the meeting that this approach had provided "an important impetus" to the WIPO Development Agenda implementation.

He recalled that nine projects were already under implementation and that another three had received preliminary approval in May. He also stressed the importance of continuing to 'mainstream' the Development Agenda into the work of the organisation and informed the committee that WIPO funding had been secured for the implementation of projects approved at the fourth and fifth sessions of the CDIP.

Also at last week's meeting, the CDIP adopted three new projects: one on competition policy, one on information and communication technologies, and another on developing tools for access to patent information.

Discussions on the project on IP and the public domain were lengthier, as developing countries were reluctant to include traditional knowledge among the project's activities. Ultimately, only the components of the project on patents, copyright

and trademarks were approved, after some modifications.

Extensive discussions also took place on a project on technology transfer. A group of "like-minded" developing countries made suggestions and comments on the draft project, which had been prepared by the WIPO secretariat. In response to a request from developed countries, developing countries agreed to submit a document containing comments on the implementation of the relevant recommendations by the end of the year. Working from those comments, and subsequent reactions, the Secretariat will aim to prepare 'non-paper' on the project for the next session of the CDIP.

The Committee also discussed a project entitled 'Enhancement of WIPO's Results-Based Management (RBM) Framework to Support the Monitoring and Evaluation of Development Activities'. The project -- which will evaluate WIPO's technical assistance activities -- was adopted with a number of amendments to the relevant project document.

The most intractable issue in the meeting which remained unresolved -- despite extensive consultations -- was the coordination mechanism between the CDIP and the work of other WIPO bodies. According to a statement by Brazil at the opening session, there is a need for "systemic realignment leading to the mainstreaming of the recommendations of the agenda into the work of all WIPO bodies."

However, the gap in positions between a joint proposal made by Algeria, Brazil and Pakistan, which was supported by many developing countries, and one by developed countries was not overcome. At the heart of the matter lie differences over how the CDIP should oversee the mainstreaming of the WIPO Development recommendations and principles into the work of other WIPO bodies.

Proponents of the joint proposal say that the CDIP should include a permanent item in its ordinary sessions to coordinate, monitor, discuss, and assess the implementation of the WIPO Development Agenda recommendations in all areas of WIPO's work, including by all relevant WIPO bodies. But developed countries argue that all WIPO Committees stand on an equal footing

and that there should be no duplication with other WIPO governance arrangements.

Countries ultimately decided to take up the matter first thing at the next session of the CDIP.

ICTSD reporting; "Coordination Tops Issues at WIPO Development Agenda Meeting," IP-WATCH, 17 November 2009.

WTO IN BRIEF

5,000 Protestors Expected in Geneva for WTO Ministerial

Roughly five thousand protesters are planning peaceful rallies to demonstrate their opposition to the WTO, which will hold its seventh ministerial conference in Geneva next week.

Protest organisers vow that there will be no violence and no attempts to block access to the conference venue, but local police have mobilised hundreds of officers from Geneva and around the region to help maintain order.

Activists claim that the WTO's promotion of free trade has helped trigger the ongoing economic and social crises, and that negotiations toward further trade opening should be stopped. "Thirty years of neoliberal globalisation policies and fifteen years of the WTO have done nothing but increase poverty in the South and inequality, unemployment and job instability in the North," the groups asserted in a statement. A new global trade deal under the WTO's Doha Round trade talks would benefit major corporations at the expense of the poor and could increase unemployment, they contend.

The opening day of this year's conference, 30 November, marks the ten-year anniversary of the massive protests that temporarily halted the WTO's third ministerial meeting in Seattle. More than 40,000 demonstrators showed up for the 'Battle in Seattle', surrounding the conference centre and temporarily preventing ministers and delegates from getting inside. Riot police wielded

tear gas, pepper spray, rubber bullets, and stun grenades to keep protesters at bay, and ultimately made more than 600 arrests.

But protests at the upcoming meeting in Geneva will strike a much different tone. "Here there will be no repetition of the Seattle action," said Giangiorio Gargantini, a Geneva protest planner.

Demonstrators are planning a number of activities before and during the ministerial conference, campaigner Deborah James told journalists on Tuesday. The events will kick off on Saturday at 2 pm, when roughly 5,000 protestors will march from Geneva's Place Neuve to the centre of town. And on Monday, Tuesday and Wednesday, campaigners will hold midday rallies at the corner of Rue de Varembe and Avenue de la France, just outside the conference centre where the meeting will take place. All of the planned demonstrations have been authorised by the Swiss authorities.

The anti-WTO demonstrations have been endorsed by more than 30 groups, including various chapters of ATTAC, a widespread anti-capitalist group, unions and several political parties, including the Geneva Socialist and Green parties.

Laurent Moutinot, the cantonal minister in charge of the police, said he had no worries about the protests, but asserted his responsibility was to ensure that the "WTO conference takes place in the best possible conditions."

The WTO's Doha Round talks – which were launched two years after the infamous Seattle protests – are officially off the agenda of the ministerial conference. WTO Director-General Pascal Lamy has instead asked ministers to focus on the organisation's 'regular work'. But the negotiations are expected to hang heavily over meetings.

ICTSD Reporting; "Peaceful demonstrations planned for WTO ministerial," REUTERS, 9 November 2009; "Geneva police brace for anti-WTO protest," SWISSSTER, 9 November 2009.

Services Talks Question Status of 'Signals' Sent in 2008

Another round of 'enchilada talks' was organised on Tuesday night by the chair of the WTO negotiating group on services trade, Ambassador Fernando de Mateo of Mexico, who brought together a number of senior officials who are in town for the organisation's ministerial conference, which kicks off next week.

The meeting aimed to resolve several key issues, including questions over the status of the verbal commitments to liberalise selected sectors and modes of supply in services trade that were made during the 'signalling conference' held during the mini-ministerial meeting in Geneva in July 2008.

These 'signals', or verbal commitments, were made in the context of perceived progress in the other critical areas of the WTO's Doha Round negotiations, specifically in agriculture and industrial products (NAMA). At the time, WTO Director-General Pascal Lamy had proposed potential parameters for a framework agreement on agriculture and NAMA. But the discussions on Lamy's proposal fell through, throwing into doubt the status of the signals made in the services talks.

Many developing countries now argue that if the elements contained in Lamy's proposal are 'off the table', the signals they sent at the signalling conference should likewise be deemed as similarly 'off'. This would mean that the existing offers of commitments in services trade revert back to the modest levels reflected in the offers that WTO members tabled between 2003 and 2006. Many *demandeurs* – the developed and developing countries that want to see more market access in the services trade – see this as unfortunate and extremely disappointing, given the substantive progress made on offers during the signalling conference.

A fundamental question that must be addressed in the 'enchilada' and subsequent services trade talks is the status of Lamy's proposal on agriculture and NAMA. Obviously, the issue goes beyond what services trade officials are capable of resolving on their own. Hence, as an amused long-time developing country delegate pointed out, the

Tuesday enchiladas could only propose to look at "how WTO members can determine the status of the Lamy proposal," rather than actually ascertaining the nature of the proposal itself.

In parallel, a number of developing country delegates are pushing for re-engagement in the services negotiations through a 'plurilateral' approach. This approach was adopted shortly after the Hong Kong ministerial conference in December 2005 and was intended to provide a focused platform for *demandeur* countries interested in specific sectors or modes of supply to collectively negotiate with trading partners whose markets were being targeted for increased liberalisation and access.

Initially, some trade observers, particularly in the NGO community, criticised the plurilateral approach on the grounds that the combined strength of the *demandeurs* would overwhelm the negotiating capacities of developing countries. In practice, however, it appeared that developing countries benefited more from the plurilateral approach, as it allowed them to band together and develop co-operative negotiating positions and arguments vis-à-vis the *demandeurs*. A Central American delegate noted that many of the initial proponents of the approach, including the EU, have now turned lukewarm on pursuing further plurilateral talks, insisting instead on bilateral negotiations with trading partners.

ICTSD reporting.

Chair Urges Rules Group to Take up RTAs

The chair of the WTO's Negotiating Group on Rules convened a meeting of senior capital- and Geneva-based officials on 25 November to offer a run-down of the state of play in the talks and try to build some momentum for the group's negotiations. The one-day meeting marked the first such high-level gathering devoted to the rules talks since the chair of the group, Ambassador Guillermo Valles Galmés of Uruguay, released a full draft text in late 2007 (see Bridges Weekly, 5 December 2007, <http://ictsd.org/i/news/bridgesweekly/7645/>).

The rules group is charged with negotiating disciplines on a range of topics: fisheries subsidies, anti-dumping, horizontal subsidies, and regional trade agreements, or RTAs. The latter topic, though, has fallen by the wayside recently; members have not officially broached the subject since early 2007. Delegates 'have no appetite' for butting heads over the very sensitive questions related to RTAs, the chair has said. Now, though, he is hoping to get the issue back on the agenda.

Chair Valles Galmés reportedly spent half an hour on Wednesday morning outlining the status of the rules talks, and devoted a significant amount of time to explaining the history of the group's discussions on RTAs. In 2002, Valles Galmés noted, members created a 'roadmap' for the work of the Committee on Regional Trade Agreements, which was founded in 1996. A decade later, members agreed on a transparency mechanism for RTAs, which sets out a series of notification requirements for members that sign on to such deals (see Bridges Weekly, 5 July 2006, <http://ictsd.org/i/news/bridgesweekly/6343/>).

Since then, though, the RTA talks have languished, despite the urging of the chair. Regional trade agreements, along with their bilateral counterparts, have flourished in recent years, even as multilateral trade talks have continually stumbled. Some say that the preferential trade deals do more harm than good. Columbia University professor Jagdish Bhagwati dubbed the deals 'termites in the trading system' in his book of the same name; he blames the pacts for clogging and confusing the rules that govern cross-border commerce.

RTAs remain a politically touchy subject at the WTO. Members are reluctant to define the nature of the relationship between RTAs and the WTO, and to give a precise definition for many of the terms – such as 'substantially all trade' and 'neutrality' – that could have far-reaching implications for their economies.

But despite any underlying tensions, senior officials at Wednesday's meeting largely steered clear of any potentially inflammatory statements.

"The tone will be very polite" in such high-level meetings, one delegate said.

Asked whether Wednesday's meeting might lead to any breakthroughs in the negotiations, the official was pessimistic.

"Personally, I'm quite doubtful about that," the delegate told Bridges. "You will not see any result, any outcome [on rules], until [members] see the outcomes of agriculture, NAMA, and other areas" of the Doha talks. The most pernicious disagreements in the rules discussions will likely not be resolved until "the last stage of the Doha Round," he added.

The next set of rules meetings is slated for mid-December.

ICTSD reporting.

WTO Calls for 'Exit Strategies' from Crisis Measures

Countries should begin planning their 'exit strategies' from crisis-triggered measures to restrict or distort trade, according to a new report from the WTO.

Global trade volumes suffered their steepest drop in 60 years in the wake of last year's meltdown on Wall Street. More than a year later, the world economy is showing some signs of good health, but a full recovery is far from guaranteed.

"The balance of forces affecting the global economy appears to be more positive than negative at the moment, but there remain serious risks to the steadiness and strength of economic recovery," noted the report, which came from the office of WTO Director-General Pascal Lamy. "At this stage in the recovery, trade growth is volatile."

Still, governments should not shy away from considering how they will remove the props they put up to keep domestic producers afloat, the report concludes. WTO members should "devise and announce exit strategies" to eliminate any protectionist measures that were implemented amid the fallout from the financial crisis, and

should also set such strategies in motion “as soon as domestic economic recovery takes hold.”

“The longer trade restricting and distorting measures are left in place, the more deeply entrenched the special economic interests depending on them will become and the more difficult it will be to remove the measures,” the report warned.

Echoing earlier reports, though, the WTO stressed that protectionist measures have not been as widespread or as egregious as many had previously feared. Although there have been “instances of slippage” toward protectionism, the report said, “in general terms the world economy is about as open for trade today as it was before the crisis started.”

Since October of last year, new measures that countries have introduced to restrict or distort trade “have covered collectively, at a maximum, 1 per cent of world merchandise trade,” the report pointed out. Such measures “bore no responsibility for provoking the crisis” and have played “a limited role” in exacerbating it at the global level.

But it is still too early to breathe a sigh of relief. Unemployment may continue to rise even as the crisis abates, and pressures on governments to shield sectors from competitors overseas may grow even more acute. On top of that, there are lingering questions about whether government stimulus packages – many of which included so-called ‘buy local’ provisions – are in line with global trade rules. Assessing the WTO-compliance of billion-dollar bank bailouts and other recovery measures would be a hefty challenge for the global trade body, not least because governments have failed to share many of the details of how the plans are being implemented.

Despite such challenges, “many WTO members” would like to see “more in-depth analysis of the trade effects of these stimulus programmes,” the report said.

Some observers say that increased monitoring represents one way in which the WTO can continue to show its relevance on the global stage even as the organisation’s ill-starred Doha Round

negotiations stagger into their ninth year. But to have true impact, WTO monitoring will need to undergo a fundamental shift, the report noted, from looking “through the rear-view mirror only” to identifying trade measures “that could affect trade the trading system tomorrow.”

More information

The report is available online in two parts, at http://www.wto.org/english/news_e/news09_e/wt_tpr_ov_12_a_e.doc and at http://www.wto.org/english/news_e/news09_e/wt_tpr_ov_12_b_e.doc

ICTSD reporting.

EVENTS & RESOURCES

Events

Upcoming Events: 25 November – 1 December

30 November - 2 December, Geneva, Switzerland. SEVENTH WTO MINISTERIAL CONFERENCE. This three-day meeting will be a regular gathering of ministers to engage in a broad evaluation of the functioning of the multilateral trading system. It is not intended to serve as a Doha Round negotiating session. The general theme for the discussions will be ‘The WTO, the Multilateral Trading System and the Current Global Economic Environment’. For more information, please visit http://www.wto.org/english/thewto_e/minist_e/min09_e/min09_e.htm

30 November - 2 December, Geneva, Switzerland. GLOBAL TRADE AND DEVELOPMENT SYMPOSIUM. ICTSD is organising the Geneva Trade and Development Symposium (GTDS), to take place over 3 days in parallel to the Seventh Ministerial Conference of the World Trade Organisation. The three broad topics for the GTDS will respond to the three principal types of challenges currently facing the multilateral trading system: institutional challenges, perspectives on the Doha Round, and new issues and challenges such as climate change. The symposium will be

held at the World Meteorological Organisation (WMO) and will be open to all who wish to participate (however, registration is required). For more information, please see <http://www.ictsdSYMPOSIUM.org/>.

1-3 December, Malang, Indonesia. **ROUTES OUT OF THE CRISIS: STRATEGIES FOR LOCAL EMPLOYMENT RECOVERY AND SKILLS DEVELOPMENT IN ASIA.** This expert meeting, sponsored jointly by the OECD and the International Labour Organization, will examine the diverse impact of the economic crisis in Asia. Countries whose economies have been heavily reliant on the export of basic commodities and manufactured goods have borne the brunt of the economic slowdown, to date. On the other hand, countries with robust domestic economies, sound fiscal positions, excess reserves and large domestic markets have been able to weather the shock better. The overall aim of the meeting is strengthen the capacity of constituents, policy makers and practitioners at the local level to undertake effective employment recovery and skills strategies in response to the financial and economic crisis. For more information, please see http://www.oecd.org/document/15/0,3343,en_2649_34417_43893967_1_1_1_37457,00.html.

2 December, Geneva, Switzerland. **BOOK LAUNCH: AGRICULTURAL SUBSIDIES IN THE WTO GREEN BOX: ENSURING COHERENCE WITH SUSTAINABLE DEVELOPMENT GOALS.** Do the World Trade Organization's rules on 'green box' farm subsidies allow both rich and poor countries to achieve important goals such as food security, or do they worsen poverty, distort trade and harm the environment? Current WTO requirements set no ceiling on the amount of green box subsidies that governments can provide, on the basis that these payments cause only minimal trade distortion. Governments are thus increasingly shifting their subsidy spending into this category, as they come under pressure to reduce subsidies that are more directly linked to production. However, growing evidence nonetheless suggests that green box payments can affect production and trade, harm farmers in developing countries and cause environmental damage. By bringing together new research and critical thinking, this book examines the relationship between green box subsidies and

the achievement of sustainable development goals, and explores options for future reform. The event is open to all, but advanced registration is required. For more information, or to register, please see <http://ictsd.org/i/events/dialogues/61948/>.

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.

25 November: COMMITTEE ON TRADE AND DEVELOPMENT - SESSION ON AID FOR TRADE

27 November: COUNCIL FOR TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS - SPECIAL SESSION

30 November: SEVENTH MINISTERIAL CONFERENCE - OPENING SESSION

1 December: SEVENTH MINISTERIAL CONFERENCE - PLENARY SESSION

1 December: SEVENTH MINISTERIAL CONFERENCE - WORKING SESSION

2 December: SEVENTH MINISTERIAL CONFERENCE - PLENARY SESSION

2 December: SEVENTH MINISTERIAL CONFERENCE - WORKING SESSION

2 December: SEVENTH MINISTERIAL CONFERENCE - CLOSING SESSION

Other Upcoming Events

7 - 18 December, Copenhagen, Denmark. 15TH CONFERENCE OF THE PARTIES TO THE UN FRAMEWORK CONVENTION ON

CLIMATE CHANGE. Under the agenda agreed at the UN Climate Change Conference in Bali in December 2007, this conference is expected to finalise an agreement on a framework for combating climate change after the first commitment period of the Kyoto Protocol expires at the end of 2012. The sessions of the United Nations Framework Convention on Climate Change are open to Parties of the Convention and observer states (governments), the United Nations System and observer organisations duly admitted by the Conference of the Parties. In addition, accredited press is allowed to cover the proceedings of the Convention. For more information, please see <http://unfccc.int/meetings/items/4749.php>.

8-10 December, Geneva, Switzerland. MULTI-YEAR EXPERT MEETING ON TRANSPORT AND TRADE FACILITATION. Transport and trade facilitation infrastructure and services have become essential components for developing countries' competitiveness in the global market. Partnerships between the public sector and the relevant business sectors are critical to enhancing the efficiency and sustainability of transport and trade infrastructures and services. Public-private partnerships have proven to be successful cooperative means for the provision of public infrastructure and services. In the context of the current economic crisis, investment in transport infrastructure and services is confronted with additional challenges. The meeting will explore best practices for public-private partnerships and the role of technology in developing efficient transport infrastructure and services to facilitate international trade in developing countries. It will also consider the potential impact of future commitments ensuing from the World Trade Organization negotiations on trade facilitation. The findings and recommendations of this expert meeting will be reported to the second session of the Trade and Development Commission, to be held 3-7 May 2010. For more information, please visit <http://www.unctad.org/Templates/meeting.asp?intItemID=1942&lang=1&m=17874>

Resources

STRENGTHENING MULTILATERALISM: A MAPPING OF PROPOSALS ON WTO REFORM AND GLOBAL TRADE GOVERNANCE. By Carolyn Deere-Birkbeck and Catherine Monagle, International Centre for Trade and Sustainable Development, November 2009. This mapping study starts from the premise that the WTO is a valuable and indispensable multilateral institution. However, after an eighty-year history, the multilateral trading system faces a suite of challenges and needs to be strengthened to better reflect the different political and economic times we live in, address the sustainable development challenges we face, and support the new aspirations of our generation. To access the publication, please visit <http://ictsd.org/i/programmes-issues/multilateral-trading-system/61814/>

STUDY ON INTRAREGIONAL TRADE AND INVESTMENT IN SOUTH ASIA. Asian Development Bank, 2009. This study broadens and deepens intraregional cooperation and integration in trade and investment among South Asian countries. It showcases the benefits of regional integration and presents an array of policy recommendations to maximise and realise such gains. Three parallel initiatives are presented: first, a call for reduction in nontariff barriers to deepen the South Asian Free Trade Area (SAFTA); second, expansion of SAFTA's scope to include investments and services; and third, focus on key industries to succinctly demonstrate the process and benefits of reforms. The study invigorates the debate and focus on South Asian integration as a means to further growth and reduce poverty. This resource is available at <http://www.adb.org/Documents/Books/Intraregional-Trade-Investment/default.asp>

THE IMPACT OF THE DOHA ROUND ON KENYA. By Eduardo Zepeda et al, Carnegie Endowment for International Peace, November 2009. Kenya's economy has yet to recover from the global financial crisis and the political upheaval and social violence that followed the disputed elections at the end of 2007. The implementation of a likely agreement of the ongoing Doha Round of trade negotiations would improve Kenya's

competitive position in processed food and agriculture, but would harm manufacturing and mining. Depending on the content of negotiations, the liberalisation of trade in goods would boost the country's GDP by 0.2 percent annually, placing Kenya on the winning side of Doha. However, the benefits would be small, according to the report from the Carnegie Endowment, United Nations Economic Commission for Africa, United Nations Development Programme, and Kenya Institute for Policy Research and Analysis. To download the report, please visit <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=24087>

STATISTICS FOR INTERNATIONAL TRADE IN BANKING SERVICES: REQUIREMENTS, AVAILABILITY AND PROSPECTS. By Andrew Cornford. UNCTAD, 2 November 2009. This paper addresses the availability of statistical data for international trade in banking services. Such data are required for WTO negotiations and the General Agreement on Trade in Services (GATS). Following a discussion of areas of work for which data on international trade in banking services are required and of the outcome so far of international initiatives directed at the development of statistics for international trade in services, the availability of statistics relevant to the different GATS Modes of Supply of banking services of the GATS is reviewed. The paper focuses on two promising categories of information, namely the income statements of banks, which depend on data already generated by private-sector entities, and data on trading in financial markets. In particular, the paper shows how information in the income statements can be approximately matched to the activities specified in the definition of financial services in the Annex on Financial Services of the GATS, exemplifying the argument with recent income statements of Jordanian banks. To access this resource, visit http://www.unctad.org/en/docs/osgdp20092_en.pdf