



# Bridges Weekly Trade News Digest

*Weekly trade news from a sustainable development perspective*

Volume 14 · Number 20, 2 June 2010

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Bridges Weekly Trade News Digest© is published by the International Centre for Trade and Sustainable Development (ICTSD), an independent, not-for-profit organisation based at Ch. de Balexert 7, 1219 Geneva, Switzerland, tel: (+41) 22-917-8492; fax: 917-8093. To subscribe to Bridges Weekly Trade News Digest or access back issues, visit <http://ictsd.net/news/bridgesweekly/>.

Bridges Weekly Trade News Digest is made possible through the generous support of the Government of the United Kingdom (DFID) and ICTSD's core donors including the governments of Finland, Denmark, the Netherlands and Sweden. Your support to BRIDGES and the BRIDGES series of publications is most welcome; if interested, please contact Andrew Crosby, Managing Director at [acrosby@ictsd.ch](mailto:acrosby@ictsd.ch) or (+41) 22 917 8335.

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## LEAD STORIES

### Year-End Climate Goal in Question as Bonn Meetings Begin

The annual mid-year negotiations of the UN Framework Convention on Climate Change (UNFCCC) got underway in Bonn, Germany this week. Officials will spend eleven days and nights churning through issues with the ultimate aim of establishing new multilateral rules on climate change. Such an agreement was expected to come at the climate conference in Copenhagen last December, but that push fell through when countries failed to reach full consensus on the “Copenhagen Accord,” which had been brokered by a small group of leaders.

At the Bonn meetings, negotiations are being held in four distinct negotiating groups: two Subsidiary Bodies of the Convention and two Working Groups - one that is addressing the second commitment period of the Kyoto Protocol (AWG-KP) beginning after 2012 and the other the high-profile group on Long-term Cooperative Action (AWG-LCA), which aims to advance discussions on a new climate deal.

After Bonn, countries will set their sights on the next Conference of the Parties, scheduled for December in Cancun, Mexico. Some observers are already saying that commenting that there is still too much unresolved. Among them, outgoing UNFCCC Executive Secretary Yvo de Boer who considers that a more realistic goal would be to conclude a deal at COP 17, which will take place at the end of 2011 in Cape Town, South Africa.

“I think developing countries especially would want to see what an agreement would entail for them before they are willing to turn it into a legally-binding treaty,” de Boer said last week in a teleconference with journalists. “So I think if we

are to get to a treaty, South Africa a year later, is much more realistic.”

Some countries are also beginning to shift the finish line. Despite a recent statement from the BASIC countries - Brazil, China, India, South Africa - to push for the completion of a legally binding global climate treaty in Cancun, China now appears to have reconsidered. In a statement two weeks ago, Xie Zhenhua, one of China's top climate change officials, confirmed that China has now also set its sights on COP 17 for sealing a deal.

Nevertheless, an array of developing and developed countries made statements in the opening of the Bonn negotiations expressing their optimism that Cancun can produce a legal result. Countries pushing for such an outcome include Small Island Developing States, the Environmental Integrity Group – Korea, Lichtenstein, Mexico, Monaco, Switzerland – and a cluster of progressive Latin American countries. The US also said that it supports a legally binding outcome, as long as it is applied “symmetrically” to all countries, with the exception of least developed countries.

### **Bonn: a key barometer**

During meetings this week and next, officials will work to achieve greater clarity on the future of the Kyoto Protocol. The status of the Protocol has been a divisive issue in the negotiations thus far. Developing countries insist that any movement away from the Kyoto framework will result in a weaker agreement.

The Long-Term Cooperative Action Group is considering a new draft negotiating text prepared by its chair, Margaret Mukahanana-Sangarwe. The text covers the same issues that parties negotiated last year leading up to Copenhagen. These include the question of mitigation for all countries, how to address adaptation, scaling up technology development and transfer, and securing adequate financing to support developing countries. Overall, Bonn will be an important barometer for assessing how swiftly parties are willing to move on advancing a legal agreement. Some issues – such as REDD-Plus which seeks to protect forested land, a new Technology Mechanism,

various approaches to Capacity Building and, to some extent, financing – appear to be coming together more quickly than others; some countries think that these issues could be “early harvest” items for the Mexico COP, should parties not be ready to sign off on a full package deal.

### **“Fast-Start” financing scrutinised**

Another key issue to watch will be the extent to which developed countries live up to financing promises they made in Copenhagen. De Boer has challenged countries to put their money where their mouths are.

“The priority for the industrialised countries is to deploy the [US\$] 30 billion they pledged from now until 2012 in short-term finance to kickstart climate action in developing countries,” de Boer said. “Now, of course, times are harsh, especially in Europe, but raising 10 billion a year for three years amongst all industrialised countries is not an impossible call.”

The fast-start financing was agreed to by parties as an add-on to the hastily assembled Copenhagen Accord. The promise was offered as a token of good faith to developing countries, which are expected to bear the brunt of climate change.

During the first day of the AWG-LCA, various developed countries announce that they would, as promised, increase their short-term financing for climate change.

The EU pledged €2.8 billion annually for fast-start financing from 2010 through 2012, while the US and Canada announced climate financing increases of their own, some of which would include fast-start financing.

The details of the financing - how funds will be disbursed and to whom – remain scant (see Bridges Trade BioRes, [30 April 2010](#)). Funds might go through existing institutions, such as the Global Environment Facility (GEF) and the World Bank Climate Investment Funds (CIFs).

### **New funding mechanisms discussed**

Discussions regarding overall financing under the AWG-LCA also began today, with the chair

putting forwards a series of discussion questions on how to get a financing mechanism – such as a new institution – set up before, or during, Cancun.

This discussion, however, showed a split between the participating countries. Developed country signatories of the Copenhagen Accord are pushing for the establishment of a Green Climate Fund, as discussed in Copenhagen. Others are referring to this new mechanism in more generic terms, such as a Financial Facility that will include a special board with designated responsibilities that remain undefined.

Regardless of the fund's name, controversy remains about what the new institution will do, how it will be run, and how it will function relative to other bodies.

Financing sources are also being discussed, with developing countries asking developed countries to commit to a 1.5 percent GDP assessed contribution. Developing countries are also asking that the new financing mechanism include a monitoring, reporting, and verification (MRV) function to ensure the delivery of pledges, along with some sort of compliance mechanism, in the event that developed countries do not pay up.

### **Cancun unlikely but not impossible**

Despite a shroud of doubt hanging over the talks, experts say that the 44-page text could be ready for Cancun if the political will exists. However, recent political meetings suggest that certain issues will require protracted negotiation.

Currently, the numbers on the table do not add up to limiting global warming to a maximum 2 degree Celsius temperature rise - a scientifically established marker set by the Intergovernmental Panel on Climate Change (IPCC) as the top limit of warming that the planet can sustain without catastrophic effects. That limit was noted in last year's Copenhagen Accord and supported by some countries, but Small Island Developing States, many African countries and other particularly vulnerable countries and communities say that even 2 degrees is too much and are now calling for an internal study on the option of a 1.5 degree marker.

Whatever the degree marker, all countries - and especially the high emitters of the world - will need to come up with ways to rapidly reduce their CO2 emissions, a task that directly impacts the cost of economic growth and therefore has no easy solutions. Yet the cost of inaction, studies say, will be far higher than making the investments now on mitigation.

### **More information**

To access the schedule of meetings for the mid-year Bonn meeting, click [here](#).

ICTSD reporting.

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## **Bananas: Geneva Agreement Signed; Bilaterals Cut Tariffs Further**

Trade negotiators opened bottles of champagne in Geneva on Monday as they formally signed the Geneva Agreement on Trade in Bananas, thus laying to rest one of the most protracted and bitter disputes in the multilateral trading system's recent history. However, delegates also acknowledged that the EU's tariff on bananas from Peru, Colombia and six Central American countries will be slashed still further, following recent bilateral deals with these nations.

The Geneva Agreement on Trade in Bananas cuts the EU's multilateral banana tariff in gradual steps from €176 per tonne to €114 per tonne by 2017. However, the recent bilateral accords offer preferential treatment to Colombia and Peru, and to Costa Rica, Guatemala, Honduras, El Salvador, Nicaragua and Peru: exports from these countries will face a duty of 75 euros per tonne by 2020, again in a series of incremental reductions.

The multilateral Geneva accord lays to rest decades of conflict between trading powers, with a clause stating that parties agree a truce on any ongoing or future WTO disputes on the matter. "We did actually open a few bottles of champagne after the signing ceremony" acknowledged one delegate.

Because the deal will apply retrospectively from 15 December 2009, the date when the accord was first initialled at WTO headquarters in Geneva, exporters will be able to claim compensation for duties paid at the higher level since last December, trade officials said.

The EU's newly ratified Lisbon treaty means that the agreement now must be approved by the European Parliament and also the bloc's Council of Ministers, before returning to the WTO for approval of the new tariff arrangements. Sources familiar with the process suggested that this could take place by early autumn.

### **“Systemic issues”**

The bilateral deals that the EU has recently concluded with Latin American countries raise “systemic issues,” said one negotiator from the group of African, Caribbean and Pacific (ACP) countries that have opposed faster and deeper cuts in the EU banana tariff, on account of the harm it could cause to less competitive producers in these regions that have historically benefited from preferential access to the EU market. “Other countries would also be interested in having a low tariff,” remarked the negotiator.

ACP countries and Latin American countries have been at loggerheads in the Doha Round of trade talks, with the latter group seeking accelerated and deeper cuts for a range of products, and the former seeking the opposite. While an outline accord was reportedly struck by the two groups as part of the resolution of the banana dispute, its details have yet to be made public. “It has been lodged with the chair of the WTO negotiating group, and the Director-General, and it just stays there” until a few outstanding issues are resolved, said one negotiator.

India and Pakistan in particular reportedly have some concerns with the deal that has been reached, said delegates, who indicated that the two nations were still seeking more favourable market access for a number of tariff lines that were of particular interest to them.

### **Bilateral accords**

The bilateral accords provide a mechanism for the EU to increase tariff levels in any given year if a ‘trigger import volume’ is reached – effectively establishing a quota mechanism that will limit the volume of imports entering the EU market.

Ecuador, the world's biggest banana exporter, is not currently a party to the bilateral accords – although sources speculated that the country might also wish to benefit from the reduced tariff now on offer to its neighbours in the region. Historically, Ecuador has underscored the need for any bilateral deal to cover broader development issues, such as migration, international cooperation and illegal drugs, rather than just focusing more narrowly on trade liberalisation.

ICTSD reporting.

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## **Ministers Review Doha Talks on OECD Sidelines**

High-level trade officials met with WTO Director-General Pascal Lamy in Paris last week to assess progress toward concluding the beleaguered Doha Round of trade talks at the WTO.

The meetings, which occurred on the sidelines of a major conference of the Organisation for Economic Cooperation and Development (OECD), brought together trade ministers and other high-ranking officials from some 20 countries, including OECD members like Australia, the EU, Switzerland and the US as well as a handful of non-OECD members such as Brazil, China, India and South Africa.

The talks underscored the fact that the differences among members remain wide, sources said. The United States in particular has come under fire recently, facing accusations that it is asking for additional access to other countries' markets without offering adequate concessions in return.

“The gaps indeed are very wide between what the United States says it needs and the rest of the membership,” a high-level Indian official told Bridges in an interview. “No matter how you slice

this, that's the key problem area for moving the negotiations forward."

### US politics to blame?

For several months now, Washington has been calling for major emerging economies like Brazil, China and India to make more concessions in the talks. Such countries have already reaped impressive benefits from past trade liberalisation, the US Trade Representative has said, and it is time for them to take on the additional responsibilities that come with a stronger position in the global marketplace.

But the Indian official, when asked to respond to that notion, deflected the question, saying that the real problem for the Doha talks can be found within US borders.

"The problem is that the industry associations of the United States have strung them up on a pole," the Indian official said, referring to the US negotiators. "And because of the difficult politics that exist in the United States today, they are unable to come down...They have to be seen to be beating at some doors to get something additional in order for them to present some deal to the Congress."

"I accept that we are still far away from an endgame, and that endgame can only come when the political situation in the United States is more amenable to a deal," the official added.

Even the Director-General acknowledged the prominent role that US politics plays in the global trade talks, conceding in an interview with the television network France 24 this week that a deal is unlikely to come before the US holds its mid-term elections in November. Officials in Washington, he explained, have "to cope with a number of conflicting constituencies at home." He acknowledged, however, that other WTO members including the EU and India face the same problem.

US Trade Representative Ron Kirk defended his country's stance at a press conference in Paris on Thursday, denying that his office has been hamstrung by domestic politics.

"The least of my concerns is our having TPA or the political environment in Washington," Kirk said, referring to the Trade Promotion Authority that allows the US president to force a yes-or-no vote on a negotiated trade deal. "I think to some degree the continued highlighting of [US domestic politics] by some members is I think more for the benefit of their avoiding the type of difficult negotiations that are necessary to yield a result than it is any real prediction of what our US Congress would do," Kirk added.

The USTR said that his office is "committed to engagement" in the Doha talks. He also called for "more focused and serious attention to completing our work in services and rules," two areas of particular interest to the United States.

But delegations have expressed uncertainty as to what the US means in asking for the emerging economies to take on more "responsibility" in the talks. The Indian official noted that the Doha Round has officially been a "development round" since its launch in the Qatari capital in 2001. "Can you start, at this stage after nine years, differentiating between developing countries?" the official asked. "This will open up the whole negotiation, it will unravel the whole process, if we take this to its logical end."

Sources reported that WTO Director-General Pascal Lamy stressed to officials in Paris last week that the negotiations will require "added quantum," a term that some officials took to mean additional concessions from developing countries to accommodate US demands. Others were not so sure.

"Well, in the WTO we keep inventing new jargon every week, so I think you should take all of these things with a pinch of salt," the Indian official said. "The point at the end of the day is 'who is to give what?' and 'what is a balanced outcome?' - and that is the key question for all of us."

Lamy has long stressed that a global trade deal would serve as a bulwark against protectionism amid the ongoing economic downturn. "As long as unemployment stays high, the danger of protectionism will remain," Lamy told French newspaper La Tribune on Wednesday.

ICTSD reporting; "Pascal Lamy (OMC): 'tant que le chômage ne diminuera pas, le danger protectionniste demeurera,'" LA TRIBUNE, 2 June 2010. "The Business Interview: Pascal Lamy, Director General, World Trade Organization," FRANCE 24, 1 June 2010.

## OTHER NEWS

### China Receives Mixed Review from WTO, Draws EU and US Criticism

The World Trade Organization's latest assessment of China's national trade policies, known as a Trade Policy Review (TPR), was released on Monday. The WTO secretariat praised China for its "liberalisation of trade and FDI [foreign direct investment]" – a statement that drew criticism from both the US and EU. The secretariat also called for improved transparency, given that they found aspects of China's trade policy to be "complex and opaque."

The EU and US comments pushed China to increase transparency and reduce protectionist measures, while recognising some of the reforms China has already taken to these ends.

John Clark, the EU Head of Delegation in Geneva, praised some of China's accomplishments, such as for being the "first major economy to rebound effectively from the crisis," and praised the country for demanding to be treated "equally as every other [WTO] member."

However, Clark stressed that China, having successfully made the transition into a global economic power, now needs to accept the responsibilities that its fellow WTO members face regarding the Trade Policy Review Mechanism's transparency requirements.

US Ambassador Michael Punke took a similar tone. While recognising some improvements in China's overall openness, he, like Clark, criticised China for a lack of transparency in some of their policies.

"Many of China's regulatory regimes continue to suffer from systematic opacity, thereby frustrating efforts by both foreign and domestic businesses to achieve the potential benefits of China's accession to the WTO," Punke said.

The WTO report acknowledged, however, that many regulations and laws that were formerly unpublished are now regularly made available, and that China is taking steps to improve the transparency of its system.

Yi Xiaozhun, the Chinese Vice Minister of Commerce, spoke in China's defence at the TPR meeting. "While facing enormous difficulties, China has acted responsibly," the minister said.

Chinese media also took a positive tone with regards to the TPR. The government-run People's Daily primarily commented on the WTO's praise of China's "economic opening policy" and for resisting "a protectionist response to the effects of the global economic recession."

### Unease over increasingly restrictive measures

One of the other major criticisms in both the WTO report and in the statements made by Clark and Punke was China's reluctance to abandon some of its protectionist policies – in some cases implementing more restrictive measures, or only partially meeting some of the WTO requests made during the 2008 TPR.

China has recently come under fire for imposing export duties and export quotas on some of the raw materials that it distributes overseas, making critical production inputs cheaper for domestic manufacturers than their overseas counterparts.

This price disparity then allows Chinese manufacturers to sell their final products at lower prices than what foreign manufacturers are able to charge.

China's high economic growth rate over the past 30 years was largely driven by its manufactured exports, according to the WTO report. However, this dependence put China in a vulnerable position when the global recession hit. In 2009, China's exports dropped by 16 percent due to a decrease in external demand.



China alleges that these export barriers are necessary for the sake of “natural resource and energy conservation.”

Given that the EU, Mexico, and the US have all filed complaints with the WTO regarding China’s export restrictions, the WTO secretariat’s observation regarding these export barriers was unexpected. The secretariat rarely comments on ongoing disputes, to avoid influencing the result.

However, Yi criticised other WTO members for making China the “primary target of trade protectionism.” He noted that China has been subject to high-tech export restrictions, trade and investment barriers, and several trade remedy investigations of Chinese products. Yi commented that China would be able to achieve a better balance between external and domestic demand if the country operated in a “better external environment.”

### **Agricultural policy inefficient**

The WTO report also found China’s agricultural policy to be inconsistent and inefficient. While China is the world’s largest producer of agricultural products, with total production of US\$536 billion, agriculture’s contribution to GDP has been falling relative to other sectors in the economy.

The Chinese government has been attempting to implement a series of reforms for the sake of improving farmer welfare, reducing rural-urban disparities, and improving domestic demand, given the drop in external demand resulting from the global crisis. One of the more controversial reforms has been the frequent use of agricultural input subsidies and market price support, both of which the WTO found to be more production- and trade-distorting than other alternative policies.

China’s agricultural subsidies have been rising steadily over the past decade. China notified the WTO on 25 March about its domestic agricultural support for the years 2002-2004, providing data that showed that China’s Green Box subsidies – forms of support that are permitted by the WTO because they ostensibly do not distort trade – jumped by percent 22 percent over that period, going from RMB 252,117 million (US\$36.9 billion

at today’s exchange rate) to RMB 308,493 (US\$45.2 billion, also at today’s rate).

A study conducted by ICTSD in June 2009 predicted that these subsidies will continue to rise, potentially up to RMB 461,000 million (US\$67.5 billion) by 2013.

### **Currency issues ignored in WTO report**

Despite recent criticisms by some International Monetary Fund directors that the Chinese yuan is undervalued, the WTO’s report largely ignored the issue, making a brief reference to the subject without offering the secretariat’s opinion on the matter.

The People’s Bank of China has justified the managed float of its currency by arguing that the policy is “based on supply and demand of the market and is adjusted with reference to a basket of currencies,” according to the WTO report. Some IMF directors have also welcomed recent attempts to allow the market to play a greater role in determining the exchange rate – a praise that the secretariat acknowledged.

Many critics estimate that the yuan could be 20 to 40 percent lower against the dollar than it would be if China were to allow its currency to fluctuate freely. They argue that this manipulation makes Chinese exports artificially less expensive, giving them an advantage in foreign markets. Some experts argue, however, that the precarious position of the euro might make the appreciation of the yuan unnecessary, given that European demand for Chinese products could fall due to Europe’s debt crisis.

ICTSD reporting; “Chinese yuan: overvalued or undervalued currency?” CNN MONEY, 24 May 2010; “Implications for China of the December 2008 Draft Agricultural Modalities,” ICTSD, June 2009; “WTO says China maintains economic opening policy,” PEOPLE’S DAILY ONLINE, 31 May 2010; “WTO questions China’s export barriers,” REUTERS, 31 May 2010.

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## Food Giant Nestlé Accused of Biopiracy

Nestlé, the world's largest food company, is facing allegations of biopiracy after it applied for patents involving two plants found in South Africa without having negotiated permission to use them with the South African government.

In what they have dubbed the “rooibos robbery,” the Berne Declaration, a Swiss advocacy organisation, and Natural Justice, a South African environmental group, are accusing Nestlé of having violated South African law and the Convention on Biological Diversity (CBD).

At issue are two plants found in South Africa, rooibos and honeybush, both of which are commonly used to make herbal teas. Nestec, a Nestlé subsidiary, filed four international patent applications for using the plants or their extracts to treat hair and skin conditions such as acne, wrinkles, and hair loss. A fifth application sought patent protection for using rooibos as an anti-inflammatory. It is seeking patent protection in a large number of countries around the world, including South Africa.

### Benefit-sharing a key issue

According to Natural Justice and the Berne Declaration, the South African Biodiversity Act — the country's implementing legislation for the CBD - requires companies to get a permit from the government if they intend to use South African genetic resources for research or patenting. These permits can only be obtained with a benefit-sharing agreement.

In a press release, Natural Justice and the Berne Declaration said that South Africa's department of environmental affairs told them that Nestlé never received permits to use rooibos and honeybush.

“Based on the information provided,” the groups said, “it is clear the patents of Nestlé and the research on which they are based are in contradiction with South African law and the CBD.”

Although best known for food product brands such as Nescafé, Nespresso, and Gerber, Nestlé is active in the cosmetic industry. It owns over a quarter of L'Oréal, the world's largest cosmetics firm; the two companies together own Laboratoires Innéov, a nutritional cosmetics venture.

“Nestlé builds its new business on illegally accessed material, precluding South Africa of their rightful share of benefits. Such illegal behaviour must no longer be supported by the patent system and tolerated by our governments,” said François Meienberg of the Berne Declaration.

### Plants not sourced in South Africa, Nestlé says

Nestlé has rejected the accusations. According to a report in the South African newspaper Business Day, company spokesman Ravi Pillay said that Nestlé had neither sourced the plants in South Africa nor done research on them there. South African suppliers had provided rooibos and honeybush extracts and material to two Nestlé research facilities in Switzerland and France, which then used it for basic research on active ingredients.

Following this research, he said, Nestec filed several patents to protect its research results, which showed potential benefits for consumers. “Nestec has not filed any patent relating to the plants themselves, or extracts of the plants. Nestlé has not made any commercial use of these patents, and has no plans to do so in the near future,” he added.

Pillay said that if Nestlé decided to use the patents commercially, it would comply fully with the benefit-sharing provisions in South African law.

However, Johanna von Braun of Natural Justice in Cape Town said that, under South African law, the commercial phase of bio-prospecting begins once a patent application has been filed. At this early phase, a permit - which would include a benefit sharing agreement and a material transfer agreement - has to have been submitted regardless of where the research takes place, she said.



Von Braun said that the companies that supplied the rooibos and honeybush to Nestlé had also not secured permits.

#### **International law unclear on “ex-situ” resources**

International patent law is not clear on who owns genetic resources once they have been removed from their country of origin. The Convention on Biological Diversity clearly specifies that genetic resources are under national sovereignty. But it is less clear about Nestlé’s responsibilities vis-à-vis genetic resources from another continent supplied to it in Europe.

South African law, however, is quite clear: it states that all indigenous biological resources are those historically from South Africa.

The terms under which the South African suppliers provided the plants to Nestlé mattered, von Braun explained. “If they’re exporting rooibos to make tea, they don’t need a permit. But if they were going to be used for research, the suppliers would have needed an export permit including a bio-prospecting application from Nestlé.”

Since 2002, parties to the Convention on Biological Diversity have been negotiating an international regime on access and benefit sharing. This would create firmer rules about the use of genetic resources, including so-called “ex situ” resources that are no longer in their country of origin.

“The Nestlé case highlights the urgent need of a new protocol that prevents the misappropriation of genetic resources and associated traditional knowledge,” said Kabir Bavikatte from Natural Justice. “Only a strong protocol will protect developing countries from an unlawful exploitation by companies.”

ICTSD reporting; “Nestlé denies ‘Rooibos Robbery,’” BUSINESS DAY, 28 May 2010.

## **IN BRIEF**

### **Brazil Smarts at Threat of Argentine Trade Ban**

Trade tensions are building between South America’s two largest economies in the wake of a recent threat from the Argentine commerce secretary to ban all imports of Brazilian food.

Argentine President Cristina Fernández de Kirchner denied that such an embargo is in the works, assuring Brazilian President Luiz Inácio Lula da Silva on Friday that “there was no import ban, nor will there be,” according to Argentine newspaper Clarín.

Despite Kirchner’s assurances, Brazilian businessmen allege that the ban has already begun, at least informally.

“The information we have from the Brazilian businesses that trade with Argentina is that the orders from Argentine businesses have been suspended, despite the nonexistence of a written order to this effect on behalf of the government,” said Rubens Barboza, president of Brazil’s largest industrial association, FIESP (São Paulo Federation of Industries), according to a report in Clarín.

Concerns about the possibility of an import ban began on 23 April, when Argentinean Commerce Secretary Guillermo Moreno issued a letter announcing that he would be reviewing foreign purchases as part of his assessment of the Argentine market’s competitiveness. Moreno then verbally imposed the ban on 6 May, with assurances that it would take effect by 1 June.

Argentina and Brazil are the two largest members of the customs union Mercosur, which also includes Paraguay and Uruguay.

An import ban would violate existing Mercosur rules. Brazil is also Argentina’s largest trading partner – making a trade war between the two highly detrimental to the Argentine economy, as well as straining relations within Mercosur.

The European Union has spoken out against the ban, which would target select European products along with Brazilian ones. A recent statement from the EU charged that such an embargo would violate Argentina's commitments as a member of both the G20 and the WTO.

Brazil and the EU combined buy 45 percent of Argentina's exports, which in total currently bring in US\$56 billion – 17 percent of Argentina's gross domestic product – according to BusinessWeek.

If Brazil finds evidence that the import ban has taken effect, the country could file a complaint with the WTO, Brazilian Commerce Secretary Welber Barral suggested, according to BusinessWeek. He also commented that Brazil exports to Argentina approximately US\$500 million of food products – which is less than a quarter of what Brazil imports from Argentina, suggesting that Brazil would find it easy to retaliate against any protectionist Argentine measures.

At the same time, the Mercosur bloc has become a hot topic in the Brazilian presidential campaign, which is ramping up for elections in October. Workers Party candidate Dilma Rousseff, who is of the same party as current President Da Silva, has stressed the need to strengthen Mercosur. Meanwhile, opponent José Serra has campaigned strongly against the customs union, supporting the FIESP position that the customs union is more of a hindrance than a benefit.

ICTSD reporting; "Brazil warns over import ban reprisals," BUENOS AIRES HERALD, 27 May 2010; "Argentina Signals Trade Spat as Partners Reject Food Import Ban," BUSINESSWEEK, 26 May 2010; "En Brasil, Cristina negó ante Lula la existencia de trabas a importaciones," CLARÍN, 29 May 2010; "Mercosur becomes debate issue in Brazilian presidential campaign," MERCOPRESS, 27 May 2010; "Brazil threatens Argentina with trade war," UNITED PRESS INTERNATIONAL, 27 May 2010.

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## EU-GCC Talks Stall, Despite German Support

The Gulf Cooperation Council – a six-member bloc made up of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – suspended its free trade talks with the EU on Thursday, despite German Chancellor Angela Merkel's public support for the partnership. It was not the first setback for the talks, which have progressed in fits and starts since their launch in 1990.

GCC Director General of the External Economic Relations Department, Abdel Aziz Abu Hamad Aluwaisheg, blamed the failure of the talks on a clause that the EU wanted to add to the agreement that would prevent GCC countries from imposing duties on EU exports.

Disagreements on issues such as tariffs and petrochemical subsidies are among the many reasons why free trade talks between the two regional groupings have stalled over the past two decades.

This setback comes only a day after Merkel stated in a Qatar press conference that the two parties were "millimetres away" from signing an agreement, according to Qatar newspaper Gulf Times. The German chancellor just completed a four-day trip to the region, where she visited GCC members Bahrain, Qatar, Saudi Arabia, and the United Arab Emirates.

## EU currency struggles causing concern in Gulf

The GCC also faced another setback last week, this time with regards to their monetary union project.

Secretary General of the GCC Abdul Rahman al-Attiyah recently announced that the plans for a Gulf single currency are unlikely to be implemented by the expected 2015 launch date. Four of the GCC countries had begun making progress in this direction by laying the groundwork for a Gulf central bank. Two GCC countries, the United Arab Emirates and Oman,

are currently not involved in setting up the monetary union.

While progress toward a monetary union has been slowed by disagreements among GCC members, some analysts attribute blame to the fragile state of the euro, according to Middle Eastern newspaper Zawya. GCC Member States had intended to model their currency around that of the EU, but the euro's recent decline is giving them pause.

Merkel, however, insisted that the euro would remain strong, saying that it "is important for Germany as an exporting country to support the currency," according to Qatar newspaper Gulf Times. She also suggested that finalising this EU-GCC partnership would help strengthen the euro.

According to German broadcasting service Deutsche Welle, Germany's growing interest in the region is largely fuelled by economic concerns, specifically over the fear that the Gulf States could look to countries outside Europe for their technological imports.

The Gulf region's quick recovery from the global economic crisis also makes it an attractive partner for the struggling eurozone. The EU's current crisis could act as an incentive for other EU countries to join Germany in pushing this trade pact forward, UAE economy minister Sultan al-Mansouri hinted in an interview with Gulf Times.

Expectations that Germany could act as a key player in the Middle East peace process and other political situations are another possible factor behind the Gulf States' interest in working with Germany, according to Deutsche Welle.

ICTSD reporting; "GCC Members Suspend Free-Trade Talks With Europe," BUSINESSWEEK, 26 May 2010; "Merkel wanted to foster relations with the dynamic Gulf," DEUTSCHE WELLE, 27 May 2010; "Europe crisis could speed EU-GCC free trade pact," GULF TIMES, 30 May 2010; "GCC and EU 'close to signing FTA accord'," GULF TIMES, 27 May 2010; "Interview – Gulf single currency unlikely in next 5 years – GCC head," REUTERS, 25 May 2010; "EU crisis may stall planned GCC currency," ZAWYA, 31 May 2010.

## EVENTS & RESOURCES

### Events

#### Coming up this week

3 June, Geneva, Switzerland. ECONOMIC SERIES SEMINAR: REASSESSING THE TRADE-ENVIRONMENT RELATIONSHIP. The WTO will be hosting an economics seminar on the trade-environment relationship, given by Professor Daniel Esty of Yale University. Professor Esty is the author of nine books and various articles on environmental policy issues and the relationship between the environment and trade, globalisation, and similar issues. Prior to joining the faculty at Yale University, Professor Esty was a Senior Fellow at the Peterson Institute for International Economics and, prior to that, served in various senior positions at the United States Environmental Protection Agency. He is also the winner of numerous awards. To register, please contact the WTO at [http://www.wto.org/english/info\\_e/cont\\_e.htm](http://www.wto.org/english/info_e/cont_e.htm).

4 June, Washington, US. TRANSPORTATION CARBON FEES: IS KERRY-LIEBERMAN THE ANSWER? This event, hosted by the Carnegie Endowment for International Peace, will feature a four-person panel discussion regarding the implications of the recently unveiled Kerry-Lieberman climate bill. This panel's members come from a range of backgrounds – from the Natural Resources Defense Council to Transportation for America. For more information, or to register, please refer to <http://www.carnegieendowment.org/events/?fa=eventDetail&id=2919>.

6-7 June, Ho Chi Minh City, Vietnam. WORLD ECONOMIC FORUM ON EAST ASIA. The 19<sup>th</sup> World Economic Forum on East Asia will focus on how East Asian leaders can collaborate to achieve a sustainable economic recovery and ensure the region's future competitiveness. The programme will examine, for instance, how high-growth economies can improve their competitiveness through developing innovation-driven, green economies. Participants will also discuss how much the ongoing regional integration will serve as the foundation upon

which Asian leaders can develop a greater presence as leaders in global cooperation. For more information, please refer to <http://www.weforum.org/en/events/WorldEconomicForumonEastAsia2010/index.htm>.

8 June, Washington, DC. **TRADE IN THE AMERICAS PANEL.** The Washington International Trade Association will be hosting a panel on a variety of trade topics relevant to the Americas. Issues discussed will include the following: what do large economies in South America want/need from the US and WTO; what role are IDB and other international agencies playing in eliminating fraud and corruption; what is Asia's role currently; and what should Asia's role be in the future, among a variety of other topics. For more information, or to register, please refer to <http://www.wita.org/ht/display/EventDetails/i/45994/pid/317>.

9 June, Montreal, Canada. **BUSINESS RESPONSES TO FREE TRADE AGREEMENTS IN ASIA – PARALLEL SESSION AT THE 16TH CONFERENCE OF MONTREAL: INNOVATING TO SUCCEED IN A NEW GLOBAL MARKET.** The Asian Development Bank (ADB) and the Asian Development Bank Institute (ADBI) are organising a parallel session on Business Responses to Free Trade Agreements in Asia during the Conference of Montreal. Organisers describe this conference as an annual forum committed to enhance the knowledge and awareness of the major issues of economic globalisation, with a particular emphasis upon the relations between the Americas and other continents. For more information, please refer to <http://www.adb.org/documents/events/2010/free-trade-agreements/default.asp>.

### WTO events

An updated list of forthcoming WTO meetings is posted at: [http://www.wto.org/english/nes\\_e/meets.pdf](http://www.wto.org/english/nes_e/meets.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.

4 June: Working Group on Trade – Debt and Finance

4 June: Negotiating Group on Trade Facilitation

8-9 June: Council for Trade-Related Aspects of Intellectual Property Rights

9 + 11 June: Trade Policy Review Body - Malawi

### Other upcoming events

10 June, Washington, US. **BACKDRAFT: THE CONFLICT POTENTIAL OF CLIMATE CHANGE AND ADAPTATION.** The Environmental Change and Security Program will be hosting a roundtable discussion regarding the impact of climate change on security. It will address the possible security problems that may arise from countries and communities attempting to mitigate climate change, and how to develop policies that will reduce the risk of conflict. Topics discussed will include whether increased demand for biofuels will continue to accelerate deforestation and fuel social conflict, and can investments in adaptation build resilient institutions that can respond to both climate and conflict threats, among other subjects. For more information, or to register, please refer to [http://www.wilsoncenter.org/index.cfm?fuseaction=events.event\\_summary&event\\_id=622446](http://www.wilsoncenter.org/index.cfm?fuseaction=events.event_summary&event_id=622446).

11 June, Paris, France. **TENTH INTERNATIONAL ECONOMIC FORUM ON AFRICA.** The Organisation for Economic Co-operation and Development, the Economic Commission for Africa of the United Nations, and the French Ministry of Economy, Industry, and Employment, will be hosting this event. The agenda will focus primarily on the African economic outlook in 2010, along with what is at stake for African economies with regards to fiscal policy and development. The event will feature a variety of speakers from different branches of government, major banks, and other international organisations. For more information, or to register, please visit

[http://www.oecd.org/site/0,3407,en\\_21571361\\_38469764\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/site/0,3407,en_21571361_38469764_1_1_1_1_1,00.html).

15 June, Berlin, Germany. CLIMATE GOVERNANCE CONFERENCE: ADDRESSING CLIMATE GOVERNANCE RISKS IN A NEW CLIMATE REGIME: KNOWLEDGE, ECONOMY AND EQUITY PARADIGMS. The Centre for Economic, Environmental and Social Statistics of InWent – Capacity Building International, Germany, and Transparency International are co-hosting this conference, which aims to provide an international forum for experts and decision-makers of the development and climate community, along with interested members of the general public. Having such a forum, conference organisers say, will be an opportunity to bring together a variety of perspectives on climate governance, especially given the upcoming COP 16 in Cancun. For further information, or to register, please visit <http://www.inwent.org/veranstaltungen/172212/index.php.en>

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## Resources

TRADING CARBON: BONN CLIMATE TALKS SUPPLEMENT. Trading Carbon, 2010. In anticipation of this week's climate talks in Bonn, Germany, Trading Carbon – a Point Carbon News magazine – has released a free 12-page guide to the talks. The guide includes articles by key industry and policy experts on some of the major issues being discussed this week. The Point Carbon News website will also be reporting daily from the event. To download the supplement, please see [http://www.pointcarbon.com/polopoly\\_fs/1.1445928!Bonn\\_Climate\\_Talks.pdf](http://www.pointcarbon.com/polopoly_fs/1.1445928!Bonn_Climate_Talks.pdf).

EXPLORING THE GLOBAL FOOD SUPPLY CHAIN: MARKETS, COMPANIES, SYSTEMS. By Emmanuel Dalle Mulle and Violette Ruppanner (3D, 2010). This paper, a companion to 3D's Backgrounder *Seeds of Hunger*, focuses on the global agrifood industry. It addresses such questions as the level of market concentration in the industry, intellectual property rules accompanying the seed and food markets, and how countries are responding. The document

reviews these questions through examining the global food supply chain from beginning to end, and includes case studies on Brazil, Cambodia, the EU, India, South Africa, Tanzania, and the US. To download the paper, please see [http://www.3dthree.org/pdf\\_3D/3D\\_ExploringtheGlobalFoodSupplyChain.pdf](http://www.3dthree.org/pdf_3D/3D_ExploringtheGlobalFoodSupplyChain.pdf)

SOUTH-SOUTH COOPERATION – THE SAME OLD GAME OR A NEW PARADIGM? United Nations Development Programme, May 2010. This policy brief addresses the different aspects of the challenges and opportunities arising from the rapid increase in the number of emerging economies that have taken on a larger role in development cooperation to address the global challenges of industrial development, technology transfer, and climate change, along with improving South-South trade. The brief examines whether these economies can work together to build a more inclusive framework to ensure faster and more sustainable development, along with improved cooperation. To download the paper, please see <http://www.ipc-undp.org/pub/IPCPovertyInFocus20.pdf>.

THE UNITED STATES AND CLIMATE CHANGE: FROM PROCESS TO ACTION. By Bernice Lee and Michael Grubb, with Felix Preston and Benjamin Zala, May 2010. This chapter from the book [America and a Changed World: A Question of Leadership](#) is now available through Chatham House. It looks at the recent history of US engagement with international efforts to mitigate global warming, and analyses recent changes in the domestic political landscape. The authors then argue for the need to re-examine US-China relations in a new context, specifically that of global energy and climate security. The chapter ends with a series of policy recommendations for the current US administration. For more information, or to download the chapter, please see <http://www.chathamhouse.org.uk/publications/papers/view/-/id/860/>.