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LEAD STORIES

US Lawmakers Ramp Up Pressure on Chinese Currency

For a few months, the US and China pulled their punches in their sometimes-feisty debate over Beijing's exchange rate policy. No longer. US Senator Chuck Schumer, a Democrat from New York, vowed last Wednesday to push for a vote "in the next two weeks" on legislation that would threaten China with punitive tariffs if it failed to raise the value of the yuan (also called the renminbi), which Beijing has maintained at a rate of about 6.83 to the dollar since July 2008.

Chinese state media hit back over the weekend, deriding US lawmakers' pressure on China as "nothing more than a bunch of baby-kissing politicians trying to swing voters by manipulating the yuan debate." The Xinhua news agency said the congressmen were "resorting to their old trick of blaming everything on China," a "dangerous game" that diverted public attention from "more serious domestic economic problems, which are caused in part by their incompetence."

Schumer has long been one of Congress's most vocal critics of China's currency policies, accusing Beijing of maintaining an artificially low exchange rate that would allegedly tax imports and subsidise its exports.

But even US Treasury Secretary Timothy Geithner, who has taken a softer approach on the issue over the past two months, had to acknowledge last week that bilateral negotiations had yielded no clear indications of when China might relax its controversial peg of the yuan to the dollar.

In April, Geithner raised the ire of Schumer and other Congressional China currency hawks by delaying the scheduled release of a report that

could have accused China of currency manipulation. That decision marked the clearest sign yet that the Obama administration had shifted its strategy on the issue of China's currency, forsaking publicly upbraiding Beijing in favour of quiet diplomacy, an approach that some observers say is more likely to yield results.

However, Geithner admitted to the Senate Finance Committee on Thursday that while Chinese officials agreed that the yuan should rise, mainly to combat inflation, they had provided no sign about when they would act. "To be honest, I don't know whether we are at the point where we are going to see meaningful progress in the short term," Geithner told the committee, according to a report in *The Washington Post*.

The calculus surrounding China's decisions about if, when, and how much to let the yuan appreciate has been greatly complicated by sovereign debt woes in Europe, which have caused the euro to plummet against the dollar – and by extension, the yuan – over the past two months. Policymakers in Beijing must be nervous: the EU is the biggest market for Chinese exports, even bigger than the US- and Euro-denominated bonds a valuable alternative in their foreign reserves mix.

In the United States, the politics – though not the economics – of China's currency is crystal clear: trade deficits and high unemployment are an unhappy combination for lawmakers, especially those, like Schumer, who are seeking re-election in November.

Schumer's bill, which has been co-sponsored by 18 other senators from both parties in Congress's 100-member upper chamber, would require the US Treasury Department to conduct twice-yearly investigations into the currencies of major US trading partners to identify "fundamental misalignments" in their real effective exchange rates. If countries are deemed to have consistently failed to rectify alleged misalignments in their currencies, the bill provides for countervailing duties to counteract the advantage conferred by the undervaluation. Anti-dumping investigations would also be required to reflect undervaluation when comparing export prices to domestic prices.

Earlier this month, Schumer and fellow Democratic senator Sherrod Brown wrote to US Commerce Secretary Gary Locke to complain that countervailing duty investigations of Chinese paper imports had failed to take into account US manufacturers' allegations that China's currency undervaluation constituted a subsidy of as much as 40 percent.

The Chinese government argues that there is no basis in WTO rules for including exchange rate considerations in trade remedy investigations. Yao Jian, a spokesperson for the Chinese commerce ministry, said that WTO provisions for such investigations cover specific instances of alleged subsidisation, not a country's overall currency policies, reports Bloomberg.

Scott Lincicome, a Washington-based trade lawyer and blogger, underlined the difficult politics surrounding the yuan. Hopes that China would de-fang the issue by allowing its currency to appreciate in time for the G20 summit have dimmed due to the eurozone's problems and the resulting unease in global financial markets, he said.

This, coupled with new trade data showing a growing Chinese trade surplus and US trade deficit, would strengthen the hand of Schumer and other backers of the legislation.

Although the White House seemed likely to try to discourage senators from bringing controversial currency legislation to the floor of the House or Senate for a vote, Lincicome reckoned that odds were "above 50 percent" that this would happen in the Senate anyway, with chances for passage about the same.

Even if the Senate passed a bill on exchange rate policies, trade penalties for China would be unlikely to become law any time soon, Lincicome explained.

The House would still have to pass the bill. And if a Senate bill called specifically for tariffs on China, the Senate would have to vote again on the legislation after House passage. US law mandates that all revenue measures originate in Congress' lower chamber.

But House leaders have been less eager to move currency legislation, and the House has a busy legislative schedule in the five-odd weeks before Congress's August recess, which will in turn be followed by the mid-term election season.

"The chances that China will have acted on their currency by then appear more likely," Lincicome said.

ICTSD reporting; "Geithner testifies; US and China continue negotiations on currency policies," THE WASHINGTON POST, 11 June 2010; "WTO rules don't support probes aimed at currency, China says," BLOOMBERG, 12 June 2010.

WTO Officials Vent Frustration Over Lack of Momentum on Doha

WTO Director-General Pascal Lamy attempted to inject a positive tone into Friday's meeting of the Trade Negotiations Committee, which saw delegations express their frustration at the Doha Round's slow progress. While members all reaffirmed their commitment to the prompt conclusion of the Round, many were concerned about political tensions among delegations that seem to be holding the talks back.

Lamy reminded the delegations of the Round's potential benefits, referring to it as a "stimulus package that has a sustainable and lasting impact" and calling trade "an engine to generate growth and contribute towards the recovery."

Along with calling up members to avoid falling into complacency, Lamy also spoke about the need to pursue a "cocktail" approach to negotiations, an approach that he first referred to in his report to the General Council in May of this year.

The cocktail approach, according to Lamy's earlier report, includes the following three ingredients: meetings organised by negotiating group chairs, preliminary contacts between trade ministers, and Lamy's own consultations with delegations. Lamy

reiterated that these three ingredients must be combined to produce an effective result.

Doha issues not at same level of 'maturity' yet

Lamy added, however, that the timing still was not right to do a "horizontal give and take" on the Doha issues that are still open, given that "we need all these issues to be at the same level of technical maturity, and this is not the case yet." He insisted that any horizontal discussions would have to include all topics that were still outstanding.

Given the principle of "single undertaking," nearly every item of on the Doha Development Agenda, as the negotiations are officially known, needs to be treated as part of the whole. As Lamy has frequently reminded delegates, "Nothing is agreed until everything is agreed."

Zambia, however, speaking on behalf of the group of Least Developed Countries, or LDCs, asked that members consider an "early harvest" for the following four areas: quota-free, duty-free market access for LDC exports; preferential trade in services for LDCs; an ambitious package on cotton; and simplification of rules-of-origin. They asked that this request be reiterated at the summit of G20 leaders set to take place in Toronto later this month. Barbados and Bangladesh were among the other countries that reiterated the call for an "early harvest" on these issues.

'Extra quantum': a loaded term

At the TNC meeting, Lamy described "extra quantum" – a term he used in a meeting in Paris recently – as a "combination of ambition and balance for all participants," calling upon countries to give the talks added momentum so that the Doha process can move forward.

Some members, however, had taken his use of the term at a meeting earlier this month to mean "additional concessions from developing countries to accommodate US demands."

Some delegations took the TNC meeting as an opportunity to challenge Lamy's use of this language. India, for instance, stated that they did not believe phrases like "added quantum" were

helpful for the Doha Round. Raising the bar in these negotiations would be counterproductive and should be avoided, the Indian delegate said. Some of the other countries present also reiterated this concern.

Trying to find a balance with agriculture, NAMA

Delegations at the TNC meeting also spoke at length about whether the current Doha package was balanced, and about how big of a role the agriculture and industrial goods talks should play in the Round.

Brazil, speaking on behalf of the G20 group of developing country farm exporters (not to be confused with the G20 group of major economic powers), stated that the December 2008 draft modalities text set the appropriate level of ambition and balance, and that there was no need to make additional concessions regarding these issues. The US, however, claimed that there was never the balance that other members say exists.

Argentina spoke up on this issue, saying that, when it comes to ambition, balance must be taken into account. They stated that the Round's level of ambition is defined by agriculture, and that it is essential that trade distortions in this field be corrected. They also challenged other countries that might choose to iterate their views on ambition in the Round to put together a proposal to correct these same distortions.

Australia and Argentina also spoke on the need to focus more on trade in services in the Round, a position that the US supported. Others have called for movement at the technical level on environmental goods and services as well as on fisheries subsidies.

ICTSD reporting.

OTHER NEWS

Anger and Dismay as Bonn Climate Meeting Comes to a Close

In contrast to the constructive and upbeat tone that characterised the first week of the climate meetings that took place in Bonn, Germany from 31 May to 11 June, the annual mid-year meeting of the UN Framework Convention on Climate Change (UNFCCC) ended on a distinctively sour note.

Climate officials were scattered across four negotiating arenas, the most prominent of which was the Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA), in which officials are negotiating a new global climate deal.

The AWG-LCA session in Bonn kicked off with a debate of a new text that had been prepared by their chair. The chair posed a series of questions to the parties for each section of the text, an approach that critics say did not dig deep enough into the most critical outstanding issues.

Despite long discussions, progress in that arena was slowed by the question-and-discussion format of the meetings that failed to break the pattern of ad nauseum repetition of countries' long-held positions. Negotiators made no progress on the more controversial issues, such as how to increase mitigation by developed countries, how to support mitigation in developing countries, how to manage new financing and get more technology on the ground. The issue of increased support for adaptation also proved controversial as developing countries' differences seem to have increased.

Countries engage on response measures

An intense yet lively debate took place on the question of "economic and social consequences of response measures" under the LCA on the penultimate day of the meeting. Arab states argued that a new institution or mechanism should be established to capture and address the impacts of response measures. Meanwhile, developed countries maintained that existing methods of communication, such as national reports required

of all countries, should be used to identify growing areas of concern. A third option that was discussed would see the UNFCCC secretariat initiate studies or other forms of information gathering and reporting on the effects of their actions to reduce emissions.

Arab states have a strong interest on this front, given their concern about how their economies might be affected by a reduction in oil consumption brought on by mitigation measures.

Many developed countries opposed the establishment of new institutions, favouring the “do-it-yourself” approach. Notably, many developing countries lack the financial, institutional, and human resources to carry out extensive studies in this area, putting them at major disadvantage if support is not forthcoming under the UN climate system. Most of those countries are especially concerned about the impact on trade of measures taken by developed countries as they develop and implement new policies to address emissions at home while protecting the competitiveness of their national industries.

Kyoto Protocol discussions

In other discussions at Bonn, the negotiations on the Kyoto Protocol became even more strained than usual over the question of a second commitment period for the Protocol, whose first period will expire at the end of 2012. Countries have been negotiating the terms of the second period for the past two years. In this session, Russia, supported by Japan, explicitly opposed all reference to a “second commitment period” as well as any language in the text calling for developed country parties to “increase the level of ambition” of their response to climate change.

Discussions also heated up over the issue of “land use” measurement under the KP. A number of developing countries and observer organisations argue that the proposed approach to the matter provides a loophole that effectively waters down the extent to which developed countries would have to cut their greenhouse gas emissions within their own borders.

Prank delays progress on final day

The closing plenaries of the AWG-KP and AWG-LCA were delayed as a special session was called to address an anonymous prank against Saudi Arabia. Media sources reported that the country’s plastic nameplate had been broken and otherwise besmirched; photos of the vandalised item surfaced on the final day of the meeting. Many countries condemned the act and called for a thorough investigation by the UNFCCC secretariat.

Some observers have suggested that the prank may have been a response to Saudi Arabia’s opposition to a proposal from the Alliance of Small Island Developing States (AOSIS) that called for a study on the impacts of a 1.5°C versus a 2°C temperature rise. Several other Arab countries had also opposed the call for a new study. However, there is currently no reliable information as to who perpetrated the act or what their motives were.

As sessions resumed, the LCA group reacted to a revised version of the negotiating text that they had spent the week discussing. The response for the most part was severely negative with the Group of 77 and China expressing “dismay” that the new text no longer contained their proposals; they called the text “imbalanced,” stressing that it no longer reflected many developing country positions and inequitably distributes responsibility for addressing climate change among developed and developing countries.

No Agreement or a different agreement at the UNFCCC?

As countries re-start talks, debate on the feasibility of reaching a comprehensive global agreement in Cancun this year seems to have turned into a discussion of other possibilities.

Christiana Figueres, the incoming Executive Secretary of the UNFCCC was quoted last weekend in the Financial Times as suggesting that a “conclusive, all-answering agreement...I don’t think that’s on the cards.” Instead, observers are talking increasingly of an agreement of an alternative nature. For instance, the agreement could be a partial one, made up of various specific

agreements of variable geographical configuration and participation, to be constantly reviewed.

Fiona Harvey, the well-known environmental correspondent, recently provided her own interpretation of such rumours. "For instance, the definition of 'legally binding' could be redrawn and a new agreement could include mechanisms for countries to take on a range of emissions targets depending on their circumstances. There could even be opt-outs for some countries on certain minor points," she said.

ICTSD reporting. "Further Clouded" FINANCIAL TIMES, 14 June 2010; "Probe at UN climate talks after Saudi sign smashed," REUTERS, 11 June 2010.

Food Prices to Continue Climbing, Say OECD & FAO

Growth in global agricultural output is expected to slow down in the coming decade, while production in Brazil, China, India, Russia and the Ukraine will likely increase at impressive rates, according to the UN Food and Agriculture Organization and the Organisation for Economic Cooperation and Development. High food prices and market volatility, however, remain a concern for food security.

The two organisations released a joint report earlier this week describing their projections for the performance of agricultural commodities in the global market.

OECD Secretary-General Angel Gurría described this year's report as "cautiously more positive," in comparison with recent years. However, he warned that, given the likelihood of future shocks to the market, governments would need to implement policies to help farmers be prepared for these situations.

Barring any market shocks, however, the expected slowdown in the rate of growth of agricultural yields is unlikely to steer the world off track from reaching a 70 percent increase in agricultural production. That figure is what experts have said

will be necessary to sustain the world population in 2050.

Developing countries to play bigger role

While developing countries have suffered heavily from the combined effects of the global recession, commodity price increases and new trade restrictions, such countries are now likely to play a larger role in the agricultural market.

Developing countries are expected to dominate both import and export growth in agricultural commodities, exceeding the growth of their OECD counterparts. The report attributed developing countries' increased share in agricultural trade to expanding South-South trade, along with increased North-South trade.

Speaking to Bridges, experts at the FAO explained that projected gains in agricultural production are likely to come from developing countries since their potential for growth has been largely untapped. Improvements in yield growth for farm goods are likely to slow down in OECD countries, picking up instead in developing countries as more resources find their way to the agricultural sector.

Jacques Diouf, Director-General of the FAO, noted at the release of the study that between 2007 and 2008, in the midst of the food price spikes, farmers in developed countries responded by growing more while those in developing countries were unable to ramp up their production at the same rate. He used this point to highlight the continued need for investment in the agricultural sector in poor countries.

Continued relevance of Doha

Gurría, at Monday's press conference announcing the report, emphasised the importance of completing the Doha Round of trade talks at the WTO. The fact that agriculture had stalled the negotiations is "a tragedy," he said, noting that the current economic climate has dampened the "appetite for free trade."

The two organisations pressed the need for "a well-functioning, rules-based trading system" to ensure fair competition and an environment

where food can go where it is most needed from where it is most efficiently produced.

Agriculture's role in the Doha Round came up again in Friday's WTO Trade Negotiations Committee meeting, and continues to be a major source of contention in the talks. Among other things, the Doha Round is expected to be one of the issues discussed at the 26-27 June Summit of the Group of 20 world economic powers.

Offering his insight into industrialised countries' agricultural subsidies, a major point of contention in the Doha Round, Gurría surmised that "concern for fiscal consolidation" would likely lead to many countries revisiting such policies.

Gurría is also critical of policies in rich countries that encourage the production of inefficient biofuels. "We were burning all the increase in food production that we had in the last few years... in the fuel tanks of... big gas guzzlers," he told reporters.

Food security

Press materials from the two organisations suggested that high prices will likely remain a key concern for food security. However, it remains unclear how subsistence farmers would fare when prices are transmitted to domestic markets, as these people often spend the greatest proportion of their income on food.

Since the 2008 peak in food prices, the FAO, among other organisations, has put food security at the fore of policy discussions.

Diouf tied the OECD-FAO Outlook's work to the Rome-based Committee on World Food Security (CFS), hoping that it would "inform the process."

An ongoing reform of the CFS aims to position it as the premier body promoting coherence among governments and intergovernmental organisations on policies that affect food security.

Although the OECD-FAO Outlook provides important insights into the likely state of world agriculture in the coming years, key food security

concerns such as distribution, access and nutritional quality remain beyond its remit.

Additional information

For more information about the OECD-FAO Outlook, please see http://www.agri-outlook.org/pages/0,2987,en_36774715_3677567_1_1_1_1_1_1,00.html.

ICTSD reporting.

IN BRIEF

OECD Predicts Economic Power Shift Over Next Two Decades

The global economic power balance is shifting in favour of developing and emerging economies, according to a report released today by the Organisation for Economic Cooperation and Development. The report forecasts that, by 2030, these countries will likely represent nearly 60 percent of world gross domestic product.

Angel Gurría, Secretary-General of the OECD, praised this development, calling it a "powerful tool to reduce inequality." He suggested that these economies could use the growth to increase public spending on social infrastructure.

This OECD report, "Shifting Wealth," is the first edition of a new annual publication from the OECD Development Centre, called "Perspectives on Global Development."

The report studies the changes in the global economy over the past 20 years, focusing on the rise of large developing countries. It found that developing countries have become "important economic actors," attributing much of that shift to increased South-South cooperation.

To better reflect the divides between countries, the report uses former World Bank President James Wolfensohn's model of a "four-speed" world, with countries split into "affluent," "converging," "struggling," and "poor" categories based on their income and rate of growth per

capita relative to industrialised countries. The OECD justified the use of this framework by asserting that it is “no longer enough” to simply refer to countries as developing or developed.

Their estimates found that non-OECD member countries hold 49 percent of the global economy in purchasing power parity terms, compared to the 51 percent held by the 31 rich countries that form the membership of the OECD. The report also noted that developing countries held US\$4,200,000 million in foreign currency reserves, which is over 150 percent the amount held by developed countries.

The OECD suggested that South-South trade could become “one of the major engines of growth over the coming decade.” It added that, should these countries reduce their tariffs on southern trade to the same levels seen in North-North trade, they could see a US\$59,000 million increase in welfare.

China and India are key drivers of this economic power shift, with their per capita incomes growing at three to four times the OECD average during the past decade. The OECD found them to be instrumental in influencing interest rates, raw materials prices, and wage levels for low-skill jobs, all of which are important for poor countries.

The past decade also saw per capita incomes in developing countries converging with high-income countries – a trend which has not been seen since the 1970s.

Not all of the news was positive for developing countries. The OECD noted that there is, within that group, a large disparity in outcomes, with many countries still falling in the “struggling” and “poor” categories. Inequality has increased, and poverty reduction has proven difficult.

The OECD recommended that developing countries adapt their national strategies to take advantage of the South’s increased heft in the global economy. Specific suggestions included promoting South-South foreign direct investment, implementing pro-poor growth policies, and improving agricultural productivity to respond to growing demand for these types of exports.

The OECD mentioned that it is strengthening ties with major emerging economies to take advantage of this new balance in economic power. Chile officially became a member of the organisation last month; Estonia, Israel, and Slovenia are negotiating entry.

The OECD report emphasised that developed countries’ new influence in the global economy should be seen as a positive development rather than a threat. The shift could “create substantial welfare benefits for the whole world,” the report said.

Additional information

For more information about the OECD report, please see the following link: http://www.oecd.org/document/12/0,3343,en_2649_33959_45467980_1_1_1_1,00.html

ICTSD reporting.

Canada-Colombia FTA Almost Finalised, Putting Pressure on US

Canada and Colombia came one step closer to finalising a free trade agreement (FTA) this week, with the Canadian House of Commons voting in favour of the deal. The FTA will next be viewed by the Canadian Senate for final approval.

The FTA passed with an amendment that requires both the Canadian and Colombian governments to assess the accord’s effects on human rights on an annual basis. However, whether this clause will actually be effective has been the source of heated debate.

Colombia is Canada’s fourth-largest trading partner in South America, with trade between the two countries amounting to US\$1,260 million in 2008, according to BusinessWeek. Liberal MP Scott Brison was quoted in Canadian newspaper The Globe & Mail as praising the FTA, saying that its ratification would “give us a head start, and Canadian interests an advantage.” Brison had proposed the human rights amendment that was added to the FTA in March.

Canada's passage of this deal is likely to put additional pressure on the US to pass its own FTA with Colombia. The US signed an agreement with Colombia in 2006, but the FTA has been stalled in the US Congress ever since.

Recent concern over the Canada-Colombia FTA prompted a bipartisan group of 39 members from the US House of Representatives to send a letter to US President Barack Obama on 2 June, emphasising the importance of setting a date for passing a US deal with Colombia. They asserted that delaying the agreement much longer would cause the US to lose some of its share in the Colombian market, especially given Canada and Europe's progress in setting up their own FTAs with the South American country.

The members of Congress called on Obama to support the deal's approval, asserting that "virtually every economic study has come to the conclusion that the United States will benefit economically from the agreement." They added that the FTA would also have an impact on US national security, and recommended that the deal be passed before Colombian President Álvaro Uribe leaves office in August.

This request came on the heels of a similar letter sent from 16 Republican members of the US Senate, which also urged Obama to outline a timeline for pushing through the Colombia trade pact, among other deals.

Former US President Bill Clinton spoke last week to W Radio in Colombia about his optimism regarding the US-Colombia FTA. However, he anticipated that the deal would likely pass only after November's US congressional midterm elections. He added that much of the delay seems to be resulting from lawmakers' fears over FTA-related job losses, given the unemployment caused by the recent economic crisis.

Clinton also noted that, for the first time in 20 years, Colombia has not been listed by the International Labour Organisation as a country that violates workers' rights – another good sign for the US-Colombia FTA's fate.

ICTSD reporting; "Canadian Lawmakers Approve Free Trade Agreement With Colombia;"

BUSINESSWEEK, 14 June 2010; "Commons seals Colombia free-trade deal," GLOBE & MAIL, 14 June 2010; "Bipartisan group of lawmakers urge Obama to back Colombia free trade pact," THE HILL, 5 June 2010; "Republicans urge Obama outline plans for trade deals," REUTERS, 1 June 2010; "Bill Clinton cree que el TLC de EE.UU. con Colombia sera ratificado por el Congreso de su país," EL TIEMPO, 10 June 2010.

New Data Show Energy Subsidies Vastly Higher than Estimated

World spending on energy subsidies topped US\$557,000 million in 2008, according to a [brief](#) released on 9 June by the International Energy Agency (IEA). Their numbers showed subsidies to be 75 percent higher than previous estimates.

The world's spending on subsidies also showed a massive increase from the previous year, which the IEA placed at US\$342,000 million.

OECD Secretary-General Angel Gurría strongly criticised this level of spending, calling it a "wasteful use of scarce budget resources," according to Agence France-Presse.

While the IEA brief recommends cutting these trade-distorting energy subsidies, it stressed that policies to reduce or eliminate subsidies for electricity, kerosene, and liquefied petroleum gas (LPG) should not restrict access to essential energy services for the poor.

The IEA estimates that phasing out these subsidies between 2011 and 2020 would decrease global energy demand by 5.8 percent and cut carbon dioxide emissions by 6.9 percent. Their work shows that the price increases resulting from this reduction will lead to improved efficiency in energy use, along with a switch to alternative energy sources.

The IEA studied 37 countries to produce the brief. These countries combined represent 95 percent of global subsidised fossil-fuel consumption.

The IEA is an intergovernmental organisation that acts as an energy policy adviser to its 28 member countries. Its analysis will be incorporated into a larger report, which is being compiled jointly by the IEA, the OECD, the World Bank, and OPEC in preparation for the G20 summit taking place from 26-27 June in Toronto.

This report is being prepared due to a request made by G20 leaders at their meeting in Pittsburgh in September of last year. At that meeting, leaders agreed to “rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption.” Leaders also asked these organisations to collaborate in providing “an analysis of the scope of energy subsidies and suggestions for the implementation of this G20 country initiative.”

The OECD also released two background papers on this subject last month in preparation for the G20 Summit.

Meanwhile, the EU is getting ready to consider a blanket energy tax that could make renewable fuels less expensive than traditional sources of energy, giving consumers an added incentive to switch from fossil fuels to less harmful alternatives (see related story, this issue). The European Commission has drafted a document outlining the potential timetable for this tax, along with how much of a contribution it might make toward meeting the EU’s climate goals.

ICTSD reporting; “Cutting fuel subsidies will cut CO2 emissions: OECD,” AGENCE FRANCE-PRESSE, 9 June 2010; “IEA counts \$550bn energy support bill,” FINANCIAL TIMES, 6 June 2010.

Second Round of Trans-Pacific Trade Talks Gets Underway

Eight Pacific-Rim countries are engaged in free trade talks hosted by the United States in San Francisco this week. The negotiations, which are still in their early stages, aim to establish a free trade zone that would span Australia, Brunei, Chile, New Zealand, Peru, Singapore, the United States, and Vietnam.

The negotiators, who are working toward a Trans-Pacific Partnership (TPP) Agreement, held their first round of negotiations in Melbourne, Australia in March.

According to a statement from the Office of the US Trade Representative, this week’s talks aim to establish a framework for the market access negotiations, to clarify the relationship between the TPP agreement and existing bilateral trade deals, and to define “paths forward” on issues like small business priorities, regulatory coherence, competitiveness, supply chains, development, and regional integration.

Looking ahead, officials hope to finalise a full draft text before the third round of talks kicks off in October.

The negotiations appear to have picked up steam recently, as Canada, Colombia and Malaysia, among others, have all expressed interest in either joining or closely following the negotiations. There has even been talk of expanding the deal to eventually cover the entire Asia-Pacific region.

Ann Capling, a trade expert at the University of Melbourne, says the TPP talks have benefited from political difficulties in other negotiating arenas. “For a number of countries, their efforts to negotiate bilateral trade agreements have stalled” and they are looking for new opportunities, Capling explained in an interview with Radio Australia.

Democratic Senators John Kerry and Jim Webb are strong proponents of the proposed deal.

“The United States risks losing export share in an exploding market and ceding influence in the Asia-Pacific unless it is able to participate more vigorously in regional trade,” the senators said in a statement released on Tuesday. “TPP represents an excellent opportunity to change this dynamic and build a platform for region-wide economic integration.”

The United States has already secured free trade deals with the four largest economies in the TPP talks – Australia, Chile, Peru and Singapore –

leading some critics to question the value of US participation in the negotiations.

Some detractors in the United States have cited political reasons to be sceptical of the talks.

“Vietnam and Brunei are simply not appropriate partners for a US trade pact, given the lack of democracy and observance of basic workers’ and other human rights in those countries; limitations on full democratic rights in Singapore are also problematic,” Public Citizen’s Global Trade Watch, a Washington-based NGO, said in a statement submitted to the Office of the USTR in January.

The negotiations over liberalisation of the ‘TPP parties’ dairy sectors could also prove difficult, observers say. New Zealand is expected to try to get its dairy farmers greater access to the other countries’ markets – a move that the US and others are expected to fight.

Global Trade Watch, the American Farm Bureau and the National Milk Producers Federation are attending the San Francisco meeting as observers, along with 20 other US stakeholder groups.

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming up this week

17 June, Washington, DC. LEARNING FROM THE GLOBAL ECONOMIC CRISIS: IDB AND IMF REPORTS FOR LATIN AMERICA. The Latin America Initiative at the Brookings Institution will welcome experts from the Inter-American Development Bank (IDB) and the International Monetary Fund (IMF), who will examine the long-term outlook for the region in the context of the financial crisis, along with the challenges associated with the upcoming recovery. Economists from the IDB and IMF will use two recently published reports to guide the discussion. For more information, or to register, please visit

http://www.brookings.edu/events/2010/0617_latin_america.aspx.

17-19 June, St. Petersburg, Russia. ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM (SPIEF). This forum attracts over 2,500 international and Russian participants from academia, business, civil society, government, and media. This 3-day event will include roundtables on Russia-EU co-operation, Russia-US co-operation, post-crisis finance, global energy and the future of the gas market, and a range of other topics. It will also include an address by Russian President Dmitry Medvedev. For more information, please visit <http://www.forumspb.com>.

18 June, London, UK. COMMUNICATING CLIMATE CHANGE IN AFRICA: CHALLENGE AND OPPORTUNITY. This panel discussion, hosted by the Overseas Development Institute, will focus on the role of media and communication in supporting the response to climate change in developing countries. Other topics of interest will include communication priorities for climate change in Africa and the developing world, and Africa’s potential to take a leading role in educating and driving the global response to the climate challenge. The panel will include speakers from Forum for the Future and the British Broadcasting Corporation (BBC) World Service Trust. For more information, or to register, please see <http://www.odi.org.uk/events/details.asp?id=2393&title=communicating-climate-change-africa-challenge-opportunity#details>.

21-24 June, Steyning, UK. TRANSITING TO A LOW CARBON ECONOMY: HOW TO MAKE SUCCESSFUL POLICY AND REGULATION HAPPEN. This conference, held by Wilton Park in co-operation with the Renewable Energy and Energy Efficiency Partnership and with support from the International Confederation of Energy Regulators, will focus on best practices for forming policy to promote renewable energy and energy efficiency. Topics discussed will include linkages between economic development, energy security, and the future energy matrix of a country; institutional and structural barriers for effective deployment of renewables and energy efficiency, and other

related topics. For more information, please visit <http://www.wiltonpark.org.uk/themes/climate/conference.aspx?confref=WP1036>.

23 June, Washington, US. CHINA'S AGRICULTURAL TRADE: COMPETITIVE CONDITIONS AND EFFECTS ON US EXPORTS. The US International Trade Commission (USITC) will be holding a public hearing on its investigation of agricultural exports to China, specifically concerning market access measure and conditions of competition. The USITC will be providing an overview of China's agricultural market; a description of the competitive factors affecting the agricultural sector in China; preferential tariffs negotiated under China's free trade agreements; and China's non-tariff measures on US agricultural exports and on imports from the rest of the world, among other related topics. For more information, please visit the USITC website at <http://www.usitc.gov>.

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.

22 June: Sub-Committee on Least-Developed Countries

22 June: Committee on Technical Barriers to Trade – Special Meeting

22 June: Dispute Settlement Body

23-24 June: Committee on Technical Barriers to Trade

Other upcoming events

24-25 June, New York, USA. UN GLOBAL COMPACT LEADERS SUMMIT 2010: BUILDING AN ERA OF SUSTAINABILITY.

The UN Secretary General Ban Ki-Moon will be hosting this summit, which aims to provide a platform for organisations to use in working towards a new era of sustainability. The event will be divided into three parts: setting the sustainability agenda, leading the change, and achieving development. For more information, please visit <http://www.leaderssummit2010.org/>.

26-27 June, Toronto, Canada. G20 SUMMIT. The G20 will convene in Toronto this month for its fourth summit. This meeting will provide international leaders with the opportunity to follow through on commitments made at previous summits regarding the global economic crisis and to continue the work of building a stronger and more sustainable global economy. The event's theme will be "Recovery and New Beginnings," and will focus on financial sector reform, fiscal and monetary stimulus programs, and global trade and growth. For more information, please visit <http://g20.gc.ca/home/>.

28 June, London, UK. PUNCHING BELOW THEIR WEIGHT? ANGLO-FRENCH CO-OPERATION IN A CHANGING AFRICA. Chatham House will be hosting speakers from the University of Portsmouth and Cardiff University on the progress made since Britain and France agreed in 1998 to harmonise their policies on Africa. The speakers will discuss the collaboration to date between France and Britain in the following areas of African policy: direct government-to-government co-operation at EU level; co-operation at the level of the UN, IMF, World Bank, and other multilateral organisations; co-operation between Paris and London; and co-operation on the ground in Africa. For more information, or to register, please visit http://www.brookings.edu/events/2010/0617_latin_america.aspx.

Resources

FIGURING OUT THE DOHA ROUND. By Gary Clyde Hufbauer, Jeffrey J. Schott, and Woan Foong Wong. The Peterson Institute for International Economics, June 2010. This new book defends the Doha Round and criticises recent attempts to abandon it, saying that it is

more important than ever to sustain political support for the rules-based multilateral trade system. The study makes a series of recommendations for a Doha package that, while ambitious, would also be palatable for developed and developing countries. For more information, or to buy the book online, please visit <http://bookstore.piie.com/book-store/5034.html>.

EVALUATION OF THE COPENHAGEN ACCORD: CHANCES AND RISKS FOR THE 2°C CLIMATE GOAL. The Netherlands Environmental Assessment Agency, May 2010. This report, released by the Netherlands Environmental Assessment Agency, discusses the Copenhagen Accord – more specifically, industrialised countries' submission of greenhouse gas emission reduction targets for 2020, and developing countries' submissions of possible actions for reducing greenhouse gas emissions. The paper presents an overview of the global emission implications of these two sets of submissions, along with the potential abatement costs, and whether these submissions would help in meeting the two degree climate target that was specified in the Accord, among other subjects. For more information, or to download the paper, please refer to <http://www.pbl.nl/en/publications/2010/Evaluation-of-the-Copenhagen-Accord-Chances-and-risks-for-the-2C-climate-goal.html>.

REFORMING AND STRENGTHENING THE WTO: SOME REFLECTIONS AND SUGGESTIONS. CUTS Centre for International Trade, Economics & Environment, March 2010. This briefing paper focuses on the following three areas: the WTO's objectives in the context of the global development debate; the fundamental criticisms of the WTO; and the Trade Policy Review Mechanism and WTO accession process, among other mechanisms. It proposes that small procedural improvements could actually have significant benefits. The authors suggest implementing these changes simultaneously with the Doha Round. To read the paper, please see http://www.cuts-citee.org/pdf/Briefing_Paper10-Reforming_and_Strengthening_the_WTO.pdf

SIXTH REPORT ON POTENTIALLY TRADE RESTRICTIVE MEASURES. European Commission, May 2010. This report, released by

the European Commission, focuses on the protectionist policies of the EU's major partners. The Commission found that EU's major trade members implemented nearly 280 trade restrictive measures during the economic crisis. It evaluates the EU's thirty main trading partners over the period from October 2008 to April 2010. The report evaluated both classical trade policies, such as trade barriers, and less traditional policies such as “buy national” campaigns. For more information, or to download the paper, please see <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/632&format=HTML&aged=0&language=EN&guiLanguage=en>.