



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

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LEAD STORIES

Brazilian Finance Minister Warns of 'International Currency War'

For months, tensions have been brewing among the world's major economies over currency values and each others' attempts to boost export competitiveness. On Monday, Brazilian Finance Minister Guido Mantega sounded a warning. The global economy is in an "international currency war," he told an audience of Brazilian industrialists in São Paulo.

"The advanced countries are seeking to devalue their currencies" in order to increase exports, he said, naming the United States, Europe and Japan in what he depicted as an intensifying trade competition, reports Reuters.

Mantega appears to have been focusing mainly on Brazil's competitiveness, using the speech to signal potential action to drive down the value of the Brazilian real. The steady appreciation of the real over the past two years – driven by solid economic fundamentals but also inflows of speculative 'hot' capital – has become a headache for the Brazilian government.

Nevertheless, the Brazilian minister's remarks made headlines around the world. The notion of a "currency war" evokes the competitive devaluations and tariff increases that exacerbated the misery of the Great Depression in the 1930s. At a time of concern that the war of words between trade-deficit and trade-surplus countries, above all the US and China, could see them blunder into a hard-to-control spiral of tit-for-tat commercial retaliation, Mantega's diagnosis struck a chord with many.

Two weeks ago, Japan raised eyebrows when it intervened in global currency markets for the first time in six years to drive down the value of the

yen after it hit a 15-year high against the dollar. Last Friday, three days before Mantega's speech, a key US Congressional committee approved legislation threatening China with tariffs if it did not allow its currency to appreciate. The vote in the House Ways and Means Committee, which has jurisdiction over tariffs and trade, paved the way for passage by the full House of Representatives in a vote that was scheduled for Wednesday.

Frustration has grown in Washington about the slow appreciation of the yuan since Beijing announced in June that it would relax its two-year-old de facto peg to the dollar. Even the administration, which had hoped that quiet diplomacy would yield more than open confrontation, has sharpened its tone, calling the yuan "significantly undervalued." (see [Bridges Weekly](#), 22 September 2010) President Barack Obama and Chinese Premier Wen Jiabao discussed the issue in a [one-on-one meeting](#) held on the sidelines of a United Nations summit in New York last week, but officials reported no breakthroughs.

House approval of currency bill expected

The bill, sponsored by Representatives Tim Ryan, a Democrat from Ohio, and Tim Murphy, a Republican from Pennsylvania, would amend US trade laws so that "fundamental exchange-rate misalignments" would be treated as export subsidies and made the object of countervailing duties. The bill sets out criteria for identifying whether a country's currency is "fundamentally and actionably undervalued." These included, over an 18-month period, large-scale intervention in foreign exchange markets and a "significant and prolonged" current account surplus vis-à-vis the rest of the world and with the US.

A summary of the approved version of the bill posted on the website of the Ways and Committee website insisted that it would be WTO-consistent, because countervailing duties would only be imposed if the foreign government's intervention in the currency markets met the WTO definition of an export subsidy. That is, if they amounted to a "financial contribution," conferred a benefit on the recipient, and were contingent on export.

The legislation does not single out China. But the criteria proposed would cover the Middle Kingdom, and supporters of the bill made no secret about which country they had in mind: Ways and Means Committee Chair Sander Levin described last Friday's approval as "standing up for American workers and businesses, and holding China accountable for the manipulation of its currency."

At time of writing on Wednesday, the House had not yet voted on the bill, but was expected to pass it with a bipartisan majority; criticising China for its currency policies is one of the few issues on which Republicans and Democrats currently seem to agree. But it is unlikely to be brought up by the Senate before the November elections, Democratic Senator Richard Durbin of Illinois [told Dow Jones](#) this week.

An [article on People's Daily Online](#), the website of the Chinese Communist Party's official newspaper, warned Monday that if Congress passed the currency bill, it would be "a new example in the world for the United States to embrace protectionism through legislation." Some US politicians were attempting to make the value of China's currency "a scapegoat for the American economic downturn" ahead of the elections.

The main arguments on both sides of the debate are well-established. Chinese people – and domestic consumption – would benefit from the increased purchasing power that would come with a stronger yuan, say supporters of revaluation. A stronger yuan would rebalance the Chinese economy from investment and exports to consumption and services. Revaluing the yuan will not solve the fact that Americans do not save enough, and will only shift production to other low-wage countries, counter opponents. (This last point is the subject of some disagreement: Fred Bergsten, director of the Peterson Institute for International Economics, estimates that a substantial appreciation of the yuan could generate 300,000 to 700,000 jobs in the US). Most major developing economies, many of which are affected by China's exchange rate policy, have chosen to say little on the issue.

Currency war talk premature...

Despite the ratcheting up of talk and action on exchange rate values, Jeffrey Frieden, a Harvard political economist, said that Mantega's warning of a currency war was "a little extreme," at least based on current conditions.

The unraveling of a years-old pattern of growth and development – based on large trade surpluses in some places, and large trade deficits in others – was always going to challenge the interests of powerful actors that had benefited from the old model, he told Bridges. This was as true for export-oriented industry in Germany, Japan or coastal Chinese provinces as it was for the US financial sector or Americans who had grown accustomed to easy finance and cheap imported goods.

In light of this, and the fact that high unemployment in the US has made the public very sensitive about international trade, Frieden suggested that "we actually have experienced a lot less protectionism than we might have anticipated. In terms of trade barriers and currency manoeuvres, "this doesn't look anything like even the late 1970s and early 1980s."

Although Professor Frieden, who has written extensively about the politics of international monetary and financial relations, did not rule out the possibility of trade measures spinning out of control, he said he did not currently "see the basis on which they're projecting long-term trade war."

Andy Xie, a Chinese economist, believes that "a trade war is unlikely" because it would hurt US companies more than Chinese ones. "Most of China's exports come from US-owned companies or other multinationals," he wrote in an article posted on Caixin Online. "China-made consumer goods retail for three to four times the factory gate price. If the trade is disrupted, the value-added that is at stake for the US is three times China's."

... but accidental spiral possible

The risk is less of a deliberate trade war than an accidental one, according to Patrick Messerlin, an economics professor at the Institut d' Etudes Politiques in Paris.

Messerlin stressed that "as of today," the number of import-restricting measures governments have put in place is not extreme and even declining. "We have to make the distinction between what exists and what could exist," he told Bridges. That said, "the political debate in Beijing as well as Washington is going in the wrong direction."

He noted that even if the US legislation became law, the application of duties to Chinese exports would be far from immediate, affording both sides time to act. US companies hurt by Chinese competition would still have to follow standard procedures for countervailing duty investigations, which normally take several months. And it would be hard to do this for thousands of products simultaneously.

If the US went down this road, China could react, and start to consider restricting access to its own coveted market. That could go one of two broad ways, he suggested, using historical analogies to illustrate his point. Either it could be like the Cuban Missile Crisis in 1962, when the prospect of nuclear war prompted the US and the Soviet Union to back down. Or it could be like 1914, when a cascading series of small decisions and miscalculations among European powers propelled the continent into the horrors of the First World War.

Professor Messerlin worried that "things could suddenly and unexpectedly go out of hand," particularly with Obama in campaign mode and the Chinese leadership headed for its own "elections" to replace the president, premier, and politburo in 2012.

Washington Post columnist Robert J. Samuelson (not to be confused with the late economist Paul) argued this week that brinkmanship was necessary in order to prevent China from turning the multilateral trading system into a tool for its export-led growth and employment strategy. "The United States faces a dreadful choice: resist Chinese ambitions and risk a trade war in which everyone loses; or do nothing and let China remake the trading system," he wrote.

The US has already lost that battle, says Anatole Kaletsky, the chief economist of a Hong Kong-based investment advisory firm, and that if

Washington can't beat them, it might as well join them. "In the aftermath of the recent financial crisis, the dominance of free-market thinking in international economic management is over," he wrote in the New York Times. "Instead of obsessing over China's currency manipulation as if it were a unique exception in a world of untrammelled market forces, the United States must adapt to an environment where exchange rates and trade imbalances are managed consciously."

The yuan has been slowly but steadily appreciating against the dollar since Washington stepped up its criticism earlier this month. Nevertheless, currency war or no currency war, exchange rates appear set to feature prominently in discussions at the November summit of the Group of 20 in Seoul.

ICTSD reporting; "US Sen Durbin: No Senate Vote On China Yuan Bill Before Election," DOW JONES NEWSWIRES, 28 September 2010; "Blaming China won't help the economy," NEW YORK TIMES, 26 September 2010; "Obama, Wen Pledge Cooperation on Economic Issues," BLOOMBERG, 23 September 2010; "The makings of a trade war with China," WASHINGTON POST, 27 September 2010; "US itself, other countries with currency reform bill," PEOPLE'S DAILY ONLINE, 28 September 2010; "World is in 'currency war:' Brazil," REUTERS, 27 September 2010; "Disappearing in a huff," CAIXIN ONLINE, 27 September 2010.

Farm Trade Talks Must Clarify Future Rules, Say Argentina, China and India

In a short paper discussed by trade negotiators this week, Argentina, China and India called for agriculture negotiations at the WTO to focus on clarifying 'ambiguous' issues in the draft Doha Round agreement text, instead of solely focusing on how to provide the data that members will need to submit if and when a multilateral accord is finalised.

Farm talks chair Ambassador David Walker of New Zealand has been concentrating primarily on the question of data requirements and the 'templates' or formats for providing this data once a deal has been reached. The data will be essential for countries to calculate their future tariff and subsidy levels for specific products. With major trading powers reluctant to propel the Doha talks forward, many trade officials have seen this approach as the best use of time until the talks can be revitalised – a prospect that most delegates believe is unlikely ahead of US congressional elections in November.

At a Tuesday meeting on the informal joint paper, which was first circulated in May, its proponents argued that progress on data and templates would depend on whether members could clarify some three dozen ambiguous outstanding issues in the draft 'modalities' text, which is supposed to serve as the basis for an eventual Doha accord. While members such as Canada and Uruguay reportedly warned that the initiative could cause previously reached agreements to unravel, the proponents countered that any ambiguities should be addressed now rather than in an eventual negotiating 'end-game'.

However, some members believe that the current approach is already allowing negotiators to begin ironing out ambiguities, through the discussions on data and templates.

Several major negotiating issues remain unresolved in the draft text – including for example the proposed 'special safeguard mechanism' for developing countries, the number of 'sensitive products' that developed countries will be allowed partially to shield from cuts, and future disciplines on cotton subsidies. However, the chair has been reluctant to convene meetings on the most heavily politicised topics in the absence of new 'problem-solving' proposals from members, fearing that talks would otherwise degenerate into a repetition of well-established negotiating positions.

Speaking in support of the chair's approach, one delegate observed that timing is critical in the negotiations. "If you put issues down at the wrong time, they can evaporate, get beaten to death or be put in the waste paper basket". While WTO

members were “not entering the end game any time soon,” upcoming meetings of APEC ministers and of the G-20 group of major economies could inject fresh political momentum into the flagging trade round, the source suggested.

Special safeguard mechanism: G-33 reacts

Two recent submissions from Costa Rica and Ukraine did, however, spur Walker to convene a separate informal small-group discussion on Tuesday, on the special safeguard mechanism (SSM), a proposed tool for developing country members to shield domestic producers from sudden surges in import volumes or falls in prices, by allowing them temporarily to impose additional duties on imports. However, trade officials present reported that the meeting lasted barely ten minutes, with most delegations having already aired their views at a meeting open to all WTO members the day before.

This larger meeting sparked interventions from a number of members, including the G-33 group of SSM supporters, which was keen to rebut suggestions in the Costa Rican paper in particular. The Central American country had echoed concerns previously raised by other exporters, who fear that the new safeguard could stem normal trade growth. The G-33 repeated its view that trade would still be allowed to grow even with the safeguard in place, as countries would only be able impose additional duties if imports exceeded a 'trigger' level that would be set higher than average import volumes over the three preceding years.

The G-33 also argued that even when these trigger levels are breached, countries may well refrain from levying the safeguard duty – for example, to avoid raising prices for domestic consumers. The group pointed to countries' experience with the existing WTO safeguard – the special agricultural safeguard, or SSG – which “developing countries including Costa Rica” have used “only when needed, not ‘trigger-happy’ as some suggest.”

Responding to Costa Rica's concern that the safeguard could be applied to a potentially unlimited number of products, the G-33 repeated

their willingness to consider limiting the product coverage of the safeguard in a given year.

Nine other countries intervened to support a statement on behalf of the G-33 that was made by Indonesia, the group coordinator.

While many agriculture negotiators are attending the Trade Policy Review of the US on Wednesday and Thursday, the chair has scheduled a Friday afternoon meeting to report back to all members on the consultations that took place this week. These are reported to have included discussions on tariff simplification, the special safeguard mechanism, the China-India-Argentina submission, and cotton.

ICTSD reporting.

Food Supply Matches Demand, FAO Tells Governments, Markets

As world market prices for food continue to climb, the UN Food and Agriculture Organization has moved to reassure governments that a repeat of the 2008 price spikes is unlikely.

Although it estimates the number of hungry people to be declining, the FAO last week brought together experts from 75 countries to find remedies for swings in food prices and to help determine what role the organisation can play amidst the uncertainty.

Prices, markets and trade

In recent weeks, the FAO has released statements aimed at [calming](#) markets by emphasising the availability of ample stocks for most cereals. These statements have highlighted the [role](#) of “national responses and speculative behaviour rather than global market fundamentals” behind the double digit jumps in food prices. Nonetheless, prices have continued their rise unabated.

Missing from the official documents issued after the 24 September gathering has been the mention of export bans implemented by Russia and contemplated by others.

Sources told Bridges that the closed-doors

meeting in Rome was marked by rigorous debates between traditional food exporters and representatives of countries dependent upon imports. Officials from Russia and Argentina sought to avoid including language against export restrictions in the report issued by the expert group.

At issue was the causal relationship between export bans and global price increases. Russia argued that fundamental supply shocks due to the summer's drought and heat wave were responsible for its inability to meet export commitments. Supply shocks, not the announcement of an export ban, was what drove prices up, the officials claimed.

Other grain exporters, such as Australia, the US and Canada, spoke positively of the role that open markets play in getting food to where it is needed.

FAO member countries also used the meeting to reaffirm the importance of the WTO as the forum where trade in food ought to be discussed. The mandate for the Doha Round of trade negotiations was shaped nearly a decade ago during a period of declining food prices, and the talks have largely refrained from serious discussions on export restrictions driven by high prices.

By many measures and for several different commodities - from grains to sugar - prices are increasing. Current prices, for some commodities, are near early-2008 levels. Avoiding prices that drive more people to hunger is a pivotal concern for many working on the issue.

The FAO and other food-focused institutions, such as the International Food Policy Research Institute, in recent weeks pointed to the fundamental balance between global supply and demand in major food staples. Others, such as the US Department of Agriculture, have [noted](#) that while global production for some crops, such as wheat, may fall this year, stocks were replenished by a bumper crop from 2009. However, the USDA also said that the blow from reduced output would be cushioned in part by slackening demand arising from the higher prices.

Number of hungry decreases, but figures

contested

The FAO recently released an estimate of the number of undernourished people in the world: 925 million, down from over one billion in 2009.

This figure, in the organisation's annual State of Food Insecurity report, or SOFI, attributed the fall in the number of undernourished in 2010 to food prices than had come down from the 2008 peaks, along with renewed economic growth in Asia.

The new report shows that although Asia continues to be home to most undernourished people, 578 million, it is also where the greatest improvement has been, both over the past year and historically. Sub-Saharan Africa continues to be the region with the highest prevalence of undernourishment. Seven countries, Bangladesh, China, the Democratic Republic of Congo, Ethiopia, India, Indonesia and Pakistan account for two thirds of the undernourished. Emerging economic giants India and China have nearly forty percent of the world's hungry within their borders.

Economists such as William Easterly and Peter Svedberg have challenged the rigour of the FAO estimates. Easterly, in a harshly-worded rebuke questioning the availability of data since 2008, suggested that they were "[made-up](#)." Svedberg has [argued](#) that the method of estimating the hungry, through food prices, average caloric needs, among other variables, and reliance on dated and sparse household surveys leaves too much uncertainty in the final tally to be reliable.

David Dawe, the lead FAO economist for the SOFI report, [defended](#) the figures as the best possible estimates, given lags in data availability.

ICTSD reporting.

OTHER NEWS

US Wants to Send Latest Tuna-Dolphin Spat with Mexico to NAFTA

The US government has called for the creation of a dispute settlement panel under the North American Free Trade Agreement to rule on Mexico's decision to pursue a complaint about US labelling rules for 'dolphin safe' tuna at the WTO rather than under NAFTA.

Washington contends that Mexico's decision to pursue the case at the WTO violates a NAFTA clause allowing the US, as the target of a case concerning matters addressed by WTO and NAFTA rules on the protection of human or animal life or the environment, to choose to have the dispute considered solely under NAFTA procedures (NAFTA Article 2005).

The US trade representative's office announced on 24 September that Washington had petitioned the NAFTA Free Trade Commission, a group of senior officials that meets yearly to oversee the agreement's functioning and to resolve disputes, to establish a dispute settlement panel to examine Mexico's choice of forum.

The most recent episode in two decades of disagreements between Mexico and the US on tuna trade and the protection of dolphins stems from a March 2009 request by Mexico for a WTO panel to be established to examine the WTO-compliance of US requirements for tuna to be labelled as "dolphin safe" (see Bridges Trade BioRes, 20 March 2009, <http://ictsd.org/i/news/biores/43657/>). The current case is not directly related to the 1990s disputes over a US embargo on dolphin-unsafe tuna that produced a series of controversial rulings.

At issue now is a US regulation stating that tuna caught in encircling, or "purse-seine", nets, which often trap dolphins along with the fish, may not carry the label "dolphin safe." The US has argued that the policy is a conservation measure. Mexico argues that its fishing fleet uses new techniques that allow purse-seine nets to be used without killing any dolphins, and that the US labelling requirement therefore needs to be changed, lest it

unfairly discriminate against dolphin-safe Mexican exports (see Bridges Trade BioRes, December 2008, <http://ictsd.org/i/news/bioresreview/34812/>).

A Mexican official told Bridges that the US and Mexico already had a labelling agreement allowing Mexican tuna to be imported into the US. However, consumer preferences in the US meant that any tuna without the "dolphin-safe" label would not sell.

The US has invoked its right to move the dispute to a NAFTA panel under NAFTA Article 2005. NAFTA normally gives complainants the right to pick a dispute settlement forum. However, a clause in that article states that in the case of disputes pertaining to standards or sanitary and phytosanitary measures, involving factual concerns over measures taken to protect a party's environment or human and animal health, if "the responding party requests in writing that the matter be considered under [NAFTA], the complaining party may, in respect of that matter, thereafter have recourse to dispute settlement procedures solely under [NAFTA]."

US officials claim that "NAFTA rules provide that once a responding party invokes the choice of forum provision, the complaining party must withdraw from the WTO proceedings and may pursue the dispute solely under the NAFTA."

Mexican officials believe that the US wants to move the dispute to NAFTA in order to avoid "multilateral elements" in the WTO process, such as the presence of third parties. They report that Mexico has not yet agreed to the US's choice of forum, and that a 7 May meeting of the NAFTA Free Trade Commission was also unable to resolve the question.

Asked to speculate on Washington's potential motivations for seeking to shift the dispute to NAFTA, Simon Lester, of WorldTradeLaw.net, suggested that the US may simply be trying to buy time: starting up a new dispute procedure takes time, and the NAFTA dispute process, with fewer automatic steps than WTO procedures, provides more opportunity for delay. In addition, the US might find NAFTA rules more favourable to their argument than WTO ones. While WTO rules say

that technical regulations “shall not be more trade-restrictive than necessary to fulfil a legitimate objective” (TBT Article 2.2), the equivalent clause in NAFTA states that “an unnecessary obstacle to trade shall not be deemed to be created where... the demonstrable purpose of the measure is to achieve a legitimate objective.”

The WTO panel was composed on 14 December 2009; its ruling is scheduled to come out in February 2011.

ICTSD reporting.

EU-India FTA Talks Progress; Study Warns About Access to AIDS Drugs

A free trade agreement between the EU and India is a step closer to becoming a reality, following a short two-day session of negotiations in Brussels last week.

Core issues in the FTA, including goods and services, have seen real progress, and both sides hope that an agreement in-principle can be reached before an annual India-EU summit in 10 December, reported the Indian daily Business Standard, citing sources close to the negotiations.

According to that report, both sides are optimistic that a deal on tariffs is within reach. They have already agreed to remove tariffs on 90 percent of tradable goods, and are in the process of negotiating additional coverage. Exclusions from these tariff cuts, perennially a thorny issue in FTA talks, are also being discussed. Brussels is keen to strike cars, wines and spirits, and dairy products from India's list of exceptions.

Also discussed during the meeting in Brussels were the EU's desire for greater access to the Indian retail sector, the topic of visas for Indian workers, and the contentious issue of intellectual property rights.

India is keenly watching developments surrounding a proposal for the EU to create a unified 'blue card' work permit scheme for skilled workers from non-EU countries. While technically

unrelated to the EU-India FTA negotiations, it would affect Brussels' ability to table offers of temporary work visas for Indian workers, a key objective for New Delhi, which wants to make it easier for multinationals to station Indian staff members abroad.

New Delhi continues to refuse to discuss EU demands for provisions on labour and environmental standards.

The negotiations are to continue in New Delhi from 6-8 October. Provisions on intellectual property remain a sticking point. Brussels and New Delhi have been at loggerheads over a series of temporary seizures in European ports of generic drugs en route from India to Brazil. Civil society groups fear that the EU will make demands that go beyond the requirements of the WTO Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS), threatening access to affordable generic versions of essential medicines around the world.

A study published earlier this month in a peer-reviewed journal has warned that FTAs being negotiated by India, including the one with the EU, could potentially “delay or restrict competition from generic medicines,” thus raising treatment costs. In terms of the anti-retroviral drugs used to treat HIV/AIDS, it said, the EU-India FTA could “increase ARV prices, impede the development of acceptable dosage forms, and delay access to newer and better ARVs.”

That study, published in the Journal of the International AIDS Society, said that India's introduction in 2005 of product patents for medicines, as required by the TRIPS agreement, “is severely constraining generic competition and supply, particularly for newer medicines.” Bilateral or regional trade agreements could squeeze “the limited policy space that remains.”

According to the study's findings, Indian generic manufacturers have supplied more than 80 percent of donor-funded HIV/AIDS medicines to developing countries in the last seven years – a figure that rises to 91 percent for paediatric ARV formulations.

The authors of the study identified 'data exclusivity' provisions (the protection of clinical test data that generics manufacturers could otherwise access), patent term extensions, and border enforcement measures as potential rules in an EU-FTA that would threaten access to affordable, high-quality generics.

EU officials say that they are not seeking to extend the duration of drug patents beyond the 20 years provided for in the TRIPS agreement. They say that data exclusivity is still being discussed with New Delhi, but that it is too early to say what the accord's intellectual property chapter may eventually contain on the issue.

ICTSD Reporting; "India, EU Take Another Step Towards FTA," Business Standard, 25 September 2010; "A lifeline to treatment: the role of Indian generic manufacturers in supplying antiretroviral medicines to developing countries," JOURNAL OF THE INTERNATIONAL AIDS SOCIETY 2010 13:35, September 2010.

IN BRIEF

Trade-Climate Links to Figure Prominently at Tianjin UNFCCC Meeting

Governments from around the world are set to review the intersection of trade and climate change as part of a United Nations-organized meeting in Tianjin, China next week.

Margaret Mukahanana-Sangarwe, the Zimbabwean chair of the Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA) has highlighted for attention at the gathering a series of issues in the negotiating text that raise trade and competitiveness concerns.

The LCA Working Group, one of two subsidiary bodies under the UN Framework Convention on Climate Change, is charged with helping governments develop a "shared vision" for tackling greenhouse gas emissions, including financing for mitigation and adaptation, technology transfer, and apportioning the burden

of emissions reduction among developed and developing countries.

In the agenda sent to participants, Mukahanana-Sangarwe highlighted several issues for clarification under a heading called "international trade measures." She noted that the draft text addressed trade in the context of "a shared vision," "sectoral approaches," "consequences of response measures," "various approaches", as well as more specific issues, such as agriculture. Also in the list were the complex discussions on forest conservation and management, known as "REDD-plus."

Notably, the question of technology transfer, intellectual property rights and bunker fuels were not mentioned in this section, despite their obvious international trade dimensions.

The chair's spotlight could indicate an intention to guide parties towards a resolution on the related issues.

Recent political meetings, as well as preparatory documents for the Tianjin meeting, point to some areas in which progress may be possible ahead of the UNFCCC's annual summit in Cancun, which starts in late November.

A 20-21 September meeting of the Major Economies Forum, a parallel climate initiative begun by the US, reiterated the view, expressed by governments around the world, that Cancun is not going to seal the global climate deal that countries failed to reach last December in Copenhagen. They emphasised that the Cancun outcome should be "comprehensive but not necessarily exhaustive," and that follow-up work could be identified for more difficult issues. Participants suggested using Tianjin to "extract" issues from the lengthy UNFCCC negotiating text that could realistically be agreed upon in Cancun.

Looking to some of these low-hanging fruit, the chair of the AWG-LCA has suggested that governments "elaborate necessary provisions to launch a work programme on agriculture." She suggested that they address its scope, principles and safeguards for REDD-plus, along with potential financing options, including "offsets and the role of market-based mechanisms."

With no consensus on what the Cancun Conference of the Parties will deliver, the preparatory negotiations in Tianjin may take unexpected turns. The parallel meetings of the other UNFCCC subsidiary body, the Ad Hoc Working Group on the Kyoto Protocol (KP), could become a political football. Some developed countries have shown distaste for continuing the KP, and want to focus all efforts on the LCA. Meanwhile, developing countries indicate that they will not advance discussions under the LCA until progress is made in the KP on a new round of emissions reduction commitments by rich countries.

Against this backdrop, developments on trade issues in Tianjin may set the stage for agreements on deadlock in Cancun. Next week will also test parties' willingness to move forward with the chair's agenda.

The Tianjin meeting will be covered in the next issue of Bridges.

ICTSD reporting.

WTO EVENTS

Russian Minister's Ag Subsidy Claims 'Untrue', Say Cairns Delegates

Claims by Russia's agriculture minister that the Cairns Group and the US had agreed to a timetable for the country's farm subsidy cuts in informal accession talks in Geneva are untrue, Cairns Group officials told Bridges Wednesday.

According to reports in the Russian language newspaper Kommersant, Russian Agriculture Minister Elena Skrynnik claimed that the Cairns Group and the US had agreed to a plan under which support would remain constant at \$9 billion until 2012, after which point it would be halved.

"It's completely untrue" said one Cairns Group negotiator familiar with the talks, claiming only that the coalition of farm exporters had asked the

Russian minister to put the proposed schedule to them in writing.

"We told our partners about the situation in Russian agriculture, in particular the drought, and outlined our position, which is based on three points: firstly, that government support for the sector remains at \$9 billion per year until 2012; secondly, that this support will be scaled down to \$4.4 billion in 2013-2017, according to our own schedule; and thirdly, we comply with the WTO regulation regarding the absence of export subsidies," said Skrynnik, according to an account of her remarks on the website of RT, a television news network. "This is also the Cairns Group's position, and the United States representative backs it."

"Experts will work out the technicalities soon, but on the whole, all controversial issues with the WTO have been resolved," she reportedly said on 27 September.

Cairns Group officials did not share this assessment. "No agreement has been reached between Cairns and Russia on agricultural domestic support," said one, denying the claim that there had been a breakthrough in the country's lengthy accession talks.

Another source noted that the minister had indeed met with Cairns Group ambassadors and introduced the proposal on domestic support reductions, but observed that the two parties were "very far from any agreement."

Asked about whether Washington had indeed struck an agreement with Moscow on the subsidy timetable, a spokesperson for the US trade representative's office declined to comment.

ICTSD reporting; "Minister flags long term agriculture subsidy cuts," RT.com, 28 September 2010; "Россия штурмует ВТО уступками," Kommersant, 28 September 2010.

Regular Ag Committee Looks at Subsidy, Tariff Violations

Questions about WTO members' real or potential violations of binding commitments on subsidy

spending and tariff levels featured prominently in a meeting last week of the WTO Agriculture Committee.

The meeting was one of committee's "regular" sessions (as distinct from the "special" negotiating mode), which are held three or four times a year. Countries use these meetings to discuss each other's subsidy and tariff notifications -- or failures to notify -- as well to ask questions about each other's agriculture policies. One of the reasons for these gatherings is that they provide an opportunity to discuss -- and consequently defang -- issues that might otherwise have become a subject of conflict, or even litigation.

At the 23 September gathering, Costa Rica was the focus of much attention for its notifications that it had spent well in excess of its bound WTO ceiling for the most trade-distorting kinds of farm subsidies in both 2009 and 2009. In a series of notifications, Costa Rica indicated to the WTO that its "Aggregate Measurement of Support" (AMS) -- often called "amber box" subsidies -- amounted to some \$62.5 million in 2008 and \$91.7 million in 2009. Both figures are several times higher than its legally binding ceiling for such payments: \$15.9 million.

Sources report that Costa Rica attributed the increase to increased production and changes in world prices.

While a number of delegations were critical of Costa Rica's spending violations, they praised it for its transparency, as well as for vowing to rein in such payments in the future.

Several countries, including leading subsidisers like the US, have in the past been less than forthcoming about their own payments, notifying their farm support levels years behind schedule.

Other countries were asked about policies that are potentially non-compliant with WTO rules. For instance, Canada asked Ukraine whether a "temporary agricultural fee" it has been considering would be within its tariff commitments. Ukraine responded that the proposal has not been adopted. A number of countries were asked why some of their farm

subsidy programmes were notified under the 'green box' -- a category of farm subsidies deemed not to distort trade, and consequently exempt from cuts under a future Doha Round accord.

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming up this week

30 September, Geneva, Switzerland. LAUNCH OF UNEP-EPO-ICTSD STUDY ON PATENTS AND CLEAN ENERGY. The United Nations Environment Programme (UNEP), the European Patent Office (EPO) and the International Centre for Trade and Sustainable Development (ICTSD) are holding a dialogue in Brussels on 30th September 2010 to launch their joint study entitled *Patent and Clean Energy, Bridging the Gap between Evidence and Policy*. The study examines the relationship between patents and the development and transfer of clean-energy technologies and has yielded important insights, evidence and data which could lead to better-informed policy-making on this important subject.

4-5 October, Rome, Italy. EIGHTH ANNUAL WIPO FORUM ON INTELLECTUAL PROPERTY AND SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs). The World Intellectual Property Organization (WIPO) is organizing this forum for IP offices and relevant institutions to discuss and share experiences on the effective use of IP system by innovators, creators, entrepreneurs and SMEs. The aim of the forum is to provide an open and interactive platform to raise questions and share experiences and views on matters concerning intellectual property for industry and business. For more information, please refer to the WIPO website at http://www.wipo.int/meetings/en/2010/wipo_sme_rom_10/index.html

6-8 October, Santo Domingo, Dominican Republic. SECOND INTER-AMERICAN MEETING OF MINISTERS AND HIGH AUTHORITIES ON SUSTAINABLE

DEVELOPMENT. The First Inter-American Meeting held in 2006 produced the Declaration of Santa Cruz +10 and the Inter-American Program on Sustainable Development (PIDS). The 2009 Summit of the Americas instructed the OAS to convene a Second Inter-American Meeting in 2010 to assess the achievements of the PIDS and renew or modify it as necessary. <http://svc.summit-americas.org/events/second-inter-american-meeting-ministers-and-high-level-authorities-sustainable-development>

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.

30 September: Council for Trade in Services

1 + 4 + 6 October: Trade Policy Review Body

1 October: Committee on Trade-Related Investment Measures

4 October: Committee on Trade and Development

4 October: Negotiating Group on Trade Facilitation

5 October: Committee on Budget, Finance and Administration

Other upcoming events

7-8 October, Geneva, Switzerland. UNCATD AD HOC EXPERT MEETING ON THE GREEN ECONOMY: TRADE AND SUSTAINABLE DEVELOPMENT IMPLICATIONS. This ad hoc meeting is being organized in close collaboration with the United Nations Department of Economic and Social Affairs and the United Nations Environment Programme. It

aims to explore ways in which the green economy, through trade-led growth, could become a pro-development income-generating instrument that will directly contribute to meeting the sustainable development imperative universally adopted in Rio de Janeiro in 1992. For more information, please refer to the UNCTAD website at <http://www.unctad.org/Templates/meeting.asp?intItemID=2068&lang=1&m=20265>

9-11 October, Washington D.C., United States of America. 2010 ANNUAL MEETING OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK GROUP. The annual meeting each year of the World Bank Group and the International Monetary Fund (IMF) brings together central bankers, ministers of finance and development, and academics to discuss issues of global concern, including the world economic outlook, poverty eradication, economic development, and aid effectiveness. For more information, please refer to the IMF's website at <http://www.imf.org/external/am/2010/index.htm>

11-14 October, Geneva, Switzerland. TIMBER COMMITTEE OF THE UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE (UNECE). The UNECE Timber Committee of the United Nations Economic Commission for Europe meets again this year at the Palais des Nations, Geneva, to review the latest international developments affecting the forest sector. For the first time, the Timber Committee Market Discussions and Policy Forum will be held jointly with the international Society of Wood Science and Technology. The theme of the week is "Innovative wood products are the future". The meetings will take place on 11-14 October 2010 (see detailed programme and related official documents). All sessions have simultaneous interpretation in English, French and Russian. For more information, please refer to the UNECE website at http://timber.unece.org/index.php?id=302_

Resources

PATENTS AND CLEAN ENERGY:
BRIDGING THE GAP BETWEEN

EVIDENCE AND POLICY. (ICTSD, UNEP, and the EPO, 2010). This joint final report by the International centre for Trade and Sustainable Development, The United Nations Environmental Programme, and the European Patent Office undertakes an empirical study on the role of patents in the transfer of clean energy technologies (CETs). The project consisted of three main parts: a technology mapping study of key CETs, a patent landscape based on the identified CETs and a survey of licensing practices. In this study, CETs are defined as energy generating technologies which have the potential for reducing greenhouse gas emissions. For more information on this report, please refer to <http://ictsd.org/i/events/dialogues/85126/>

AFRICA'S DEVELOPMENT IMPASSE – RETHINKING THE POLITICAL ECONOMY OF TRANSFORMATION. By Stefan Andreasson (Zed Books Ltd, February 2010). Orthodox strategies for socio-economic development have failed spectacularly in Southern Africa according to the author of this new book on African development. He claims that neither the developmental state nor neoliberal reform seems able to provide a solution to Africa's problems. In the book, the author analyses this failure and explores the potential for post-development alternatives. Examining the post-independence trajectories of Botswana, Zimbabwe and South Africa, the book claims to show three different examples of this failure to overcome a debilitating colonial legacy. The author then argues that it is now time to resuscitate post-development theory's challenge to conventional development. In doing this, he claims, we face the enormous challenge of translating post-development into actual politics for a socially and politically sustainable future and using it as a dialogue about what the aims and aspirations of post-colonial societies might become. To access this report, please refer to <http://zedbooks.co.uk/book.asp?bookdetail=4317>

INTERNATIONAL TRADE IN SERVICES. (The World Bank, June 2010). This book provides useful guidelines for the assessment of a country's trade potential, and a roadmap for successful opening and export promotion in select services sectors. It looks at both the effects of increased

imports and exports, and provides concrete examples of developing country approaches that have either succeeded or failed to maximize the benefits and minimize the risks of opening. It focuses on sectors that have been rarely analyzed through the trade lens, and/or have a fast growing trade potential for developing countries. These sectors are: accounting, construction, distribution, engineering, environmental, health, information technology, and legal services. For more information, please refer to The World Bank's website at <http://elibrary.worldbank.org/content/book/9780821383537>

TRADE IN SERVICES NEGOTIATIONS. (The World Bank, June 2010). This book helps to identify key policy challenges faced by developing country trade negotiators, regulatory policy officials and/or service suppliers. Management of both policy reforms and trade agreements requires investments in sounder regulatory regimes and the establishment of enforcement mechanisms to help countries gradually opening and mitigate any potential downside risks. A successful strategy requires a proper sequencing that through an orderly and transparent process allows preparing for greater competition. For more information on this book, please refer to The World Bank's website at <http://elibrary.worldbank.org/content/book/9780821384107>
