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LEAD STORIES

G-20 Falls Short of Agreement on Trade Balances, Makes New Plug for Doha

The Group of 20 major economies last week failed to reach an agreement on how to ease trade imbalances and soothe tensions over exchange rates, diminishing hopes for a coordinated policy response for rebalancing the global economy.

Leaders from the world's biggest developed and developing countries papered over their differences by agreeing on a process to agree "indicative guidelines" for identifying and correcting unsustainable trade imbalances by the first half of 2011. A separate pledge on trade also kicked the can down the road: they called for "complet[ing] the end game" in the Doha Round of WTO negotiations, recognising that "2011 is a critical window of opportunity, albeit narrow."

Trade imbalances shrank in late 2008 and early 2009, but have widened again as world trade recovered from the worst of the global financial crisis. In recent months, huge surpluses in some countries and their counterpart deficits in others have been one of the biggest sources of discord in commercial relations, raising fears that governments might blunder into a spiral of retaliatory sanctions.

Countries with current account deficits and sluggish economic and job growth – the US above all – have been trying to persuade surplus countries like China and Germany to take steps to increase consumption and imports. A failure to do so, Washington argues, will cause the world economy to suffer as deficit countries try to consume less and save more. Beijing has steadfastly maintained that it is doing more than its fair share to bolster global economic demand, and that deficit countries should get their own

houses in order. It has also accused the US's ultra-loose monetary policies of distorting trade and capital flows.

Leaders had headed to Seoul for the 11-12 November summit amidst talk of 'currency wars' and accusations of currency manipulation and competitive devaluation.

After making little headway in its initial strategy of trying to cajole or browbeat China into revaluing its currency, the US took a different tack to trying to rein in trade balances ahead of the recent summit, proposing that governments establish numerical limits (in terms of a percentage of GDP) for current account surpluses or deficits. But the plan failed to win agreement in Seoul. German Chancellor Angela Merkel dismissed such targets as "neither economically justified nor politically appropriate." A Chinese official ridiculed the idea as belonging "to the days of planned economies."

Instead, the G-20 leaders set up a process, directing finance ministers and central bank governors to develop, by the first half of 2011, a set of "indicative guidelines composed of a range of indicators would serve as a mechanism to facilitate timely identification of large imbalances that require preventive and corrective actions to be taken." The International Monetary Fund was charged with "assessing progress toward external sustainability and the consistency of fiscal, monetary, financial sector, structural, exchange rate and other policies."

It is unclear whether G-20 members will agree on such guidelines, let alone enforce them rigorously. In a report submitted to the Seoul meeting, the IMF estimated that based on existing trends, current account deficits in advanced deficit economies would "nearly double" by 2014.

Former Mexican President Ernesto Zedillo called the meeting a "truly worrisome" failure to cooperate, one that did not inspire confidence that governments would be able to tackle more complex challenges. "There is little in the G-20 Seoul Action Plan reassuring the world that the tensions preceding the summit will not re-emerge and worsen anytime soon," he wrote on YaleGlobal.

Uri Dadush, a former World Bank official who now directs the international economics programme at the Carnegie Endowment in International Peace, saw a silver lining to the outcome. He believes that the rebalancing agenda "sounds and acts like a zero-sum game," and that governments should instead focus on maximising sustainable domestic demand based on their individual circumstances, with expert advice from the IMF. "The discussion of currencies and external balances should be second to a sustainable growth agenda," he has argued.

Currency policy and capital controls

While Washington's complaints about what it believes to be the artificially low value of the Chinese currency are hardly new, it was the US's own policies that came in for considerable criticism in Seoul.

Countries such as Brazil, China, and Germany view the US Federal Reserve's decision to embark on a second round of 'quantitative easing' (printing money to buy bonds, since interest rates cannot be lowered further), widely dubbed QE2, as a deliberate effort to weaken the dollar, a charge that the Obama administration rejects. The US central bank has defended its injection of a further US\$600 billion into US capital markets as necessary based on its mandate to maintain price stability and low unemployment.

In the end, the G-20 leaders agreed to "move toward more market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying economic fundamentals," with no timeline or details attached. The leaders also promised to "refrain from competitive devaluation of currencies."

Despite the agreement on common, if unspecific, pledges, tensions over currencies remain prominent. This was underlined by US President Barack Obama's harsh words on China's currency, the yuan, after the summit: "It is undervalued. And China spends enormous amounts of money intervening in the market to keep it undervalued."

The G-20 communiqué also legitimised the capital controls introduced by countries such as Brazil

and Thailand in an attempt to shield their currencies from being pushed up by the influx of speculative 'hot money' seeking higher returns than those available in industrialised countries. "Emerging market economies with adequate reserves and increasingly overvalued flexible exchange rates" could undertake capital control measures (taxes and restrictions), as many such countries are already doing.

Doha: 'window of opportunity' in 2011

On the subject of the Doha Round negotiations, which have now limped into their tenth year, the G-20 heads of government said that the year 2011 represents "a critical window of opportunity, albeit narrow" for an agreement. A failure to conclude a deal next year would risk having the talks become hostage to the next US presidential election campaign, in 2012. "We direct our negotiators to engage in across-the-board negotiations to promptly bring the Doha Development Round to a successful, ambitious, comprehensive, and balanced conclusion consistent with the mandate of the Doha Development Round and built on the progress achieved." The leaders also pledged to seek ratification of a Doha deal within their own countries.

Such pledges are not new. The G-20's first leaders' summit in November 2008 pledged to "strive to reach" framework modalities agreements in the WTO negotiations by the end of that year. In Pittsburgh in September 2009, they "committed to bringing the Doha Round to a successful conclusion in 2010."

Whether last week's pledge meets with a happier fate will hinge on whether compromise proves possible between Washington's insistence on greater access to emerging markets and the resistance of Brazil, China, India and South Africa to these demands.

According to WTO Director-General Pascal Lamy, the Doha-related conversations in Seoul focused on just that. "Discussions between leaders on this topic were to the point: how to supplement what is already on the table with new give and take in order to build a final package that they would take to their respective parliaments,"

he told some WTO members Monday. "The challenge is now to translate this political will into negotiations here in Geneva. Since June last year, members have been testing flexibilities in various formats. This process must now intensify in order to 'walk the talk'."

IMF reform, 'Seoul Consensus'

Reform of international financial institutions has been a fixture on the G-20's agenda, along with regulatory changes aimed at making banks safer.

Last week's summit rubber stamped already agreed quota and voting power reforms that would give developing countries a greater say within the IMF. They also agreed to strengthen global financial safety nets. Even well-run economies were vulnerable to sudden capital outflows during the recent crisis, and making IMF funds readily available would reduce the incentive for countries to accumulate excessive reserves.

The Seoul gathering marked the first G-20 leaders' meeting held in a country that did not belong to the Group of Eight industrialised nations, which the G-20 has supplanted as the informal steering committee for the world economy. The Korean government was a major backer of the 'Seoul Development Consensus for Shared Growth', a framework adopted at the summit for supporting growth in poor countries. The report stresses the role of both private business and public investment, calling for increased spending on infrastructure, food security, and domestic taxation institutions. "We... believe there is no 'one-size-fits-all' formula for development success and that developing countries must take the lead in designing and implementing development strategies tailored to their individual needs and circumstances," it says, in a clear rebuke of the out-of-vogue Washington Consensus.

The Seoul Consensus document's section on trade stopped well short of setting any dates or benchmarks for duty- and quota-free access for least-developed country exports, saying only that G-20 members "agree to make progress towards" unrestricted market access for products from the world's poorest countries.

ICTSD reporting: "The rest of the world goes West when America prints more money," THE

TELEGRAPH, 6 November 2010; "The G20: Captive in the Prison of Mercantilism," YALEGLOBAL ONLINE, 13 November 2010; "How to Avoid a Currency War," INTERNATIONAL ECONOMIC BULLETIN, 14 October 2010.

WIPO Copyright Body to Negotiate on Limitations and Exceptions

The World Intellectual Property Organization's copyright committee agreed late last Friday on a work programme for 2011-2012 focusing on limitations and exceptions to the protection of copyrighted material. The eleventh-hour agreement, reached at midnight after a week of talks, should pave the way for "real negotiations" and not just mere discussions.

The Standing Committee on Copyright and Related Rights (SCCR) had failed to reach agreement on a way forward at its previous meeting last June. In their statements last week, developing countries emphasised the need to move forward on the issue of exceptions and limitations, which was crucial to improve access to copyrighted materials by blind people and groups like libraries, particularly in developing countries. They pointed to the many elements of convergence between the various proposals on the table.

"The challenge for us now is to not lose that momentum and find ways of building on that substantive convergence with a view of reaching agreement on a programme of work on limitations and exceptions," stated Brazil on behalf of the Development Agenda Group (DAG) at the beginning of the meeting.

In 2009, a group of Latin American countries (Brazil, Mexico, Paraguay and Ecuador) had tabled a proposal for a treaty to facilitate access to copyrighted material by visually impaired people. The proposal had originally been prepared by the World Blind Union (WBU).

After some initial reluctance to address the matter through norm-setting, the United States and the European Union followed suit with proposals of

their own last June: instead of a treaty, the former wanted a 'consensus instrument', the latter, a non-binding "draft recommendation" in order to improve access to works protected by copyright for 'persons with a print disability.'

The African Group, for its part, proposed a treaty on limitations and exceptions for the disabled, education and research institutions, libraries and archive centres, expressing its preference for a 'holistic approach' in addressing expressions and limitations.

The main difficulties in reaching an agreement on the two-year work programme for the SCCR concerned both the prioritisation of the issues to be addressed by the committee and the ultimate results aimed for. While limitations and exceptions relating to the visually impaired were considered by many to be a more 'mature' area of work, many developing countries wished to see a 'comprehensive framework' adopted in which a 'sequential approach' would be built into the work programme to ensure substantive discussions on other issues too.

The African, Asian and Latin American and Caribbean groups of countries presented a joint proposal for a work programme in which text-based negotiations would take place "with the objective of reaching agreement on an international legal instrument or instruments" recognising the need to advance with the more 'mature' areas, currently persons with print and other disabilities. This would be followed by educational, teaching and research institutions and libraries and archives." The proposal also mentioned the possibility of "convening a diplomatic conference" in 2011 aimed at agreeing a legal instrument on limitations and exceptions for persons with print and other disabilities, and another in 2012 on limitations and exceptions on educational, teaching and research institutions/libraries and archives. It also suggested holding 'special sessions' on these two sets of issues independently from the regular sessions of the SCCR in order to speed up discussions.

A proposal from the group of developed countries for the SCCR's work programme sought to limit text-based discussions to achieving 'agreement' on 'appropriate' exceptions and limitations for

persons with print disabilities while ‘continuing’ its work on ‘appropriate’ limitations and exceptions on educational, teaching and research institutions/libraries and archives and ‘persons with other disabilities’. The proposal did not specify that the outcome could be an ‘international legal instrument’, since they felt that this would be seen as pre-determining the outcome of the discussions.

The final compromise text “recogni[s]es the need to advance the more mature areas” and indicates that the committee will undertake text-based work on the two sets of limitations and exceptions (i.e., print disabilities on one hand, and educational, teaching and research institutions/libraries and archives along with ‘persons with other disabilities’ on the other). It makes no mention of the possibility of convening a diplomatic conference, and simply states that “the Committee is requested to submit recommendations to the General Assemblies” on limitations and exceptions for persons with print and other disabilities, and will also ‘undertake’ to do so for limitations and exceptions on educational, teaching and research institutions/libraries and archives, according to a timetable for 2011-2012. However, the preamble does make reference to the SCCR’s “authority to make a recommendation to convene a Diplomatic Conference.”

The timetable provides for the SCCR’s next three meetings to each last three extra working days, dedicated to discussions on limitations and exceptions. The first three such additional working days will be tacked on to the end of the SCCR’s next regular session in June 2011, and will focus on limitations and exceptions for persons with print and other reading disabilities. The three additional days at the subsequent sessions will look at limitations and exceptions on educational, teaching and research institutions, libraries and archives.

Other issues addressed during the SCCR session included the protection of broadcasting organizations and the protection of audiovisual performances. With regards to the former, the SCCR reaffirmed its commitment “to continue work, on a signal-based approach, towards developing an international treaty to update the protection of broadcasting and cable casting

organizations in the traditional sense.” Countries were invited to present new proposals on the protection of the broadcasting organizations by 1 March 2011, if possible in treaty language. On the protection of broadcasting organizations, Brazil expressed the main concern of the Development Agenda Group: the “risk that granting stronger copyright protection or additional rights protection measures will increase costs and affect access to broadcasts in developing countries.”

On audiovisual performances, the committee reaffirmed its commitment on developing the international protection of audiovisual performances. It also considered that the 19 articles from the treaty negotiation in 2000 form a good basis for future discussions, and invited members invited to submit proposals in treaty form by 31 January 2011 to address outstanding issues.

The next meeting of the SCCR is scheduled for 15-24 June 2011.

ICTSD reporting.

Government Internet Censorship Violates WTO Rules, Says Google

China and other governments that engage in internet censorship that restricts access to information from other countries are violating their WTO commitments, Google has argued in a new position paper.

Warning that the “transformative economic benefits of the Internet are under threat” from government-imposed limits informational flow, the company urged the international community to “take action to ensure the free flow of information online.”

The paper, [posted on Google’s public policy blog on Monday](#), argued that existing trade agreements, principally the WTO General Agreement on Trade in Services (GATS), “can and should be used to help constrain government behaviours limiting information flow.”

Google: GATS covers internet restrictions

WTO Appellate Body decisions, such as one on China's regulations pertaining to the import of various media products, "demonstrate that information restrictions are subject to GATS disciplines," the paper argued.

Under GATS provisions for non-discrimination, Google said, foreign firms should be treated no less favourably than domestic ones, and foreign service suppliers should have "reasonable and non-discriminatory access to public telecommunications networks, including to move information within and across borders." The exceptions spelled out in the GATS require governments to clearly justify any derogations, and apply them in a non-discriminatory manner.

"It is now up to other [WTO] members to ensure that exceptions do not become the rule," the paper said, urging governments to protect "members' right to pursue legitimate policy goals while preventing the broad application of exceptions that would undermine the value of the GATS."

Google has famously clashed with Beijing over its internet censorship policies. It pulled out of China earlier this year, following a period during which it censored search results in China in an attempt to work with Beijing. In the paper, Google says that in October 2007, Chinese officials, angry over the US Congress's decision to present an award to the Dalai Lama, rigged the so-called 'great firewall' so that users seeking to access US-based search engines were instead sent to Baidu, a Chinese-owned search engine (Baidu has increased its share of the Chinese internet search market since Google's withdrawal, according to the New York Times).

China is hardly the only country guilty seeking to censor the internet. The paper says that "more than 40 governments have instituted broad-scale restrictions of information flow on the internet," describing intermittent blockages of YouTube and blogging and social networking sites in countries ranging from

Calls for a "21st century internet trade agenda"

Outlining what it called a "21st century Internet trade agenda," Google called on governments in the US, the EU and elsewhere to take "concrete steps to ensure that rules in the next generation of trade agreements reflect [the] new challenges of Internet trade."

As an example of what this might mean, Google praised the yet-to-be finalised Korea-US free trade agreement (FTA) text for including a provision committing both countries to "endeavour to refrain from imposing or maintaining unnecessary barriers to electronic information flows across borders," because of information flows' importance to facilitating trade.

Looking ahead, Google said, governments must first "close gaps in the existing WTO framework in order to ensure that all GATS disciplines apply to all Internet trade." It called for new bilateral and multilateral trade negotiations to cover and include "new rules that reflect today's information economy."

The "free flow of information should be on the table" in the Doha Round services negotiations, the paper argued. It said that existing proposals on computer and telecommunications services by the US, Canada, Japan, and the EU "would begin to rationalize and increase certainty to the scheduling of internet services." Ultimately, "a new round of commitments will be needed to ensure that all GATS disciplines apply to all of the economic activities on the internet."

The paper noted that the EU had "opportunities to advance the Internet trade agenda" in its ongoing free trade agreement talks, such as those with India and Canada. The Trans-Pacific Partnership trade agreement talks afforded the US a similar opportunity with a number of countries from around the Pacific Rim. WTO accession procedures were also pointed to as an example of where pressure could be put on Russia and some Middle Eastern countries to relax the onerous restrictions they place on internet use.

Tear down this firewall?

Google is not the first group to call for using WTO rules to attack internet censorship policies. The California First Amendment Coalition, a

freedom of expression advocacy group, has petitioned the US trade representative's office to initiate WTO dispute proceedings with China over its internet restrictions. The 'great firewall', it argues, is a market access barrier that makes it almost impossible for foreign internet companies like the online auction site eBay to do business in China, to the benefit of their Chinese competitors. (See *Bridges Weekly*, 27 January 2010)

As of January of this year, the USTR's office said it had not taken any decisions about how to address the petition. At time of publication on Wednesday, it was too early in Washington to reach US officials to comment.

ICTSD reporting: "Google Sees Rules Violations in Limits on Internet Access," NEW YORK TIMES, 17 November 2010.

OTHER NEWS

Domestic Policies Key for Trade to Boost Jobs, Growth: WTO, OECD, ILO, World Bank

Open trade can boost growth and create jobs, but social protection policies are necessary to ensure that these benefits are widely shared, according to a new report from the Organisation for Economic Co-Operation and Development (OECD), the International Labour Organisation (ILO), the World Bank, and the WTO. "Open markets can contribute to growth and better employment outcomes," states the report, which was presented to the G-20 leaders' summit in Seoul last week. "This was true before the [global financial] crisis and it remains true today."

The reported, titled *Seizing the Benefits of Trade for Employment and Growth*, argues that more open trade for goods and services can "provide a stimulus for the world economy, at a time when many of the temporary stimulus measures taken by many governments during the crisis are being unwound."

Trade and employment

The report warns, however, that market-opening must be paired with domestic policies for employment and social protection "to ensure that benefits from trade are widely shared." Workers need help adjusting to increased competition, the report said, "as jobs are both created and destroyed in the natural 'churn' of economic progress."

Appropriate policies and programmes would "include stable macroeconomic policies, effective labour market and social protection policies, investment in education and enhancing export sectors in developing countries."

Research used in the report found "that a 10 percent increase in trade openness reduces unemployment by 1 percent for a mix of developed and developing countries," although the report did not mention which countries were considered.

Wages tended to be higher in firms that exported as compared to those that focused exclusively on the domestic market, the report found. In Western Europe, exporting firms paid wages 10-20 percent higher than those paid by non-exporting firms. The comparable figures for the US and sub-Saharan Africa were 6 percent and 34 percent respectively. However, the report also notes that productivity increases "may take place at the expense of employment levels," as competitive firms increase market shares faster than their job rolls.

Trade and poverty

While the report does not go into great detail about the links between trade and poverty, it makes some observations, notably that "the large body of empirical work on the topic strongly supports the theoretical presumption that trade liberalisation reduces poverty on average and in the long run." The report lists examples of countries where trade has helped reduce poverty, singling out China, which, according to a cited resource in the report, has reduced the poverty of some 400 million people since 1981. The report also mentions that there is strong evidence suggesting that it is technology, rather than trade – what the report calls "skill biased technological

change” – that is responsible for the falling wages and increased inequality in developed countries.

The report does say that “there are always losers as well as winners throughout the process of structural adjustment.” The report continues that “[a]s the very poor are the least able to sustain negative shocks of this sort, the case for complementary policies and social policies to protect the most vulnerable is even stronger.”

Earlier in the report, the organisations also pointed out that while openness to trade greater exposes economies to shocks, it also helps them recover more quickly, as they are more able to adapt. Open economies are less dependent on domestic demand, they noted.

Trade and protectionism

The report pointed to the risks of protectionism during times of economic crisis, and stated that completing the WTO’s long-running Doha Round of global trade talks “would send a positive signal” that governments are open to expanding trade. On this note, the report interestingly stated that “[i]mports play an important role in achieving better economic performance, in part because they serve as a channel for technology transfer,” increases productivity, what the report referred to as “the heart of economic progress.”

The report highlighted that stimulus packages can (and likely do) act as barriers to trade, as they provide subsidies to sectors that might otherwise be unable to compete. The report notes that “[l]ike an arms race, a subsidies race benefits no one in the end. Subsidies and other emergency measures imposed during the crisis should not remain in place indefinitely.”

The report projected that “liberalisation in [foreign direct investment] for services does not lead to a short-run net loss of jobs in any of the G-20 countries.”

At its June 2010 meeting in Toronto, the G-20 had asked the four intergovernmental organisations to “report on the benefits of trade liberalisation for employment and growth” at the Seoul summit.

ICTSD reporting.

IN BRIEF

Korea, US Fail to Agree on FTA, Raising Concerns about Obama’s Trade Policy

Korea and the United States last Thursday failed to wrap up talks on a free trade agreement, denying US President Barack Obama a heavily anticipated foreign policy achievement, and raising questions for the future of his administration’s trade policy.

Despite all-night talks between negotiators, and face-to-face discussions between Obama and his Korean counterpart, Lee Myung-bak, the two sides failed to reach understandings on beef and auto trade that would enable the long-awaited trade deal to go towards ratification. The FTA, negotiated and signed by the George W. Bush administration in 2007, has languished in the Democrat-controlled Congress. Obama announced at the Group of 20’s Toronto summit in June that he would push to secure modifications that would facilitate the FTA’s ratification by Congress in time for the 11-12 November Seoul gathering of leaders from the world’s biggest economies. That deadline has now been missed.

Lee and Obama tried to put a positive spin on the setback, telling a joint press conference that negotiators would keep trying to iron out remaining differences in the weeks to come.

Prior to the negotiations in Korea, it was clear that major US manufacturers Ford and Chrysler, as well as the United Auto Workers union were against the deal, arguing that it would not redress what they see as the lopsided balance of bilateral auto trade. Trade in beef has been a bilateral trade irritant since a US outbreak of mad cow disease in 2003 prompted Seoul to ban imports of US beef; Korea’s market has only been reopened to meat from younger animals thought to be at lower risk for the disease, but even the partial resumption of beef imports prompted angry protests about food safety. However, a Reuters report last week

suggested that the US beef industry now favoured an immediate agreement, fearing that if Washington held out for greater concessions on beef trade, it would allow producers from Australia and Canada – which have started FTA negotiations of their own with Korea – to get in the door first.

Accounts vary as to why the talks in Seoul failed. The New York Times quoted US officials as saying that auto trade was the main sticking point. With the FTA set to remove tariffs on auto trade between the two countries, Washington has been pushing South Korea to relax environmental standards to make it cheaper for US carmakers to comply. The US auto industry blames Korean emission, mileage, and other standards, rather than consumer tastes, for the imbalance in car sales. Other sources say that it was a last-minute demand by the US for Korea to open up its market to beef from cattle older than 30 months that made negotiators realise that a deal would prove impossible by Thursday.

Analysts suggest that if the US and Korea cannot strike a deal in the upcoming weeks, it may be a sign that little will be achieved in terms of US trade policy over the next two years.

“U.S. Beef Exporters Urge Speed, Not Changes, in South Korean Trade Accord,” REUTERS, 10 November 2010; “Stalled South Korea Trade Deal Is Setback for Obama,” NEW YORK TIMES, 11 November 2010.

WTO IN BRIEF

CTE Searches for Way Forward on Environmental Goods

WTO members agree that they need to revitalize sluggish negotiations on liberalising trade in environmental goods. They just don't seem to be able to agree on how to do so. Nor is it clear that they can, without a revival in the deadlocked Doha Round of global trade talks.

Even before the broader stagnation in the Doha Round over the past two years, the WTO

negotiations on an extra measure of liberalisation for goods with an environmental purpose had been struggling. Countries were unable to agree even on how to identify what constitutes an environmental good worthy of being slated for extra tariff cuts. Developed countries for the most part have favoured the creation of a negotiated list of such products, but many developing countries complain that the proposed products reflect Northern export interests. Other approaches would have temporarily liberalized trade on products used in approved environmental products, or seen countries engage in a request-offer process to determine which goods are subject to extra tariff cuts.

Delegates spared each other a review of those differences during an 8-9 November meeting of the Committee for Trade and Environment in special (negotiating) session). Some, such as Brazil, noted that a range of other issues need to be discussed, such as special and differential treatment for developing countries, technology transfer, and non-tariff barriers. The US countered that these cross-cutting issues could not be addressed in the abstract – they needed to be examined in relation to specific products. China and other delegations emphasised that the environmental goods negotiations should produce a “triple win,” with economic, environmental, and developmental benefits.

Saudi Arabia introduced a paper based on ideas it had voiced in previous meetings, saying labeling requirements, standards, and intellectual property-related policies were potential non-tariff barriers to environmental goods. It did not identify specific examples, however. In July, Saudi Arabia had called for the chair to revise a document on products of interest to include non-tariff barriers. Members also discussed a different aspect of the Doha negotiations on trade and environment: the mandate to clarify the relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements (Paragraph 31(i) of the Doha Declaration).

In a new proposal (TN/TE/W/77) – the first on the subject in over two years – Switzerland called for a “conciliatory and non-adjudicatory” process in which members with differences of opinions regarding the relationship between existing WTO

rules and MEA trade obligations could ask the CTE chair to facilitate discussions aimed at a solution, thus heading off controversial disputes. The paper, which included proposed potential text for a decision by the Ministerial Conference, the WTO's top decision-making body, also said that in the event of trade disputes involving tension between WTO and MEA rules, countries should be "encouraged" to "draw on the expertise" of relevant experts, and that dispute panels "shall possess or have available the necessary expertise regarding both the WTO rules and the multilateral environmental agreement in question."

Reacting to the proposal, several members, such as the US and New Zealand, said that the balance between WTO provisions and other sets of international rules should not be upset. hierarchy between the WTO. Traditionally, many countries, including the US, have rejected discussing the CTE negotiations.

In general, delegates agreed on the need to move to text-based negotiations in the Doha trade and environment talks, but were not sure how to get to that stage.

The next CTE meeting is tentatively scheduled for February 2011.

ICTSD reporting.

Members Discuss Principles for S&DT Monitoring Mechanism

WTO members last week gave a generally positive welcome to a set of principles on the shape of a 'monitoring mechanism' that would review the functioning of WTO provisions for 'special and differential treatment' (S&DT) for developing countries.

The 'guiding principles' for the monitoring mechanism came out of ongoing discussions among a group of WTO ambassadors on the entire spectrum of issues in the struggling Doha Round talks. The principles had previously been discussed in smaller groups of countries, but the 8 November meeting marked the first time they were examined by the full Committee on Trade and Development in special (negotiating) session

(see [Bridges Weekly](#), 3 November 2010). At the gathering, delegates asked the chair to revise a 'non-paper' on the monitoring mechanism to reflect the new principles.

According to the principles, the mechanism "shall act as a focal point within the WTO to analyse and review [the] implementation of S&DT provisions. It shall complement, not replace other relevant review mechanisms in other bodies of the WTO." It would "regularly evaluate the utilization and effectiveness of S&DT provisions, with a view to ensuring that they are effectively and better implemented." It is also charged with proposing action, "as appropriate," that would strengthen and improve the reviewed provisions.

In general, developing countries were more cautious in their support for the principles than developed ones. Zambia wanted an explicit reference to Paragraph 44 of the Doha mandate, which instructs members to review "all special and differential treatment provisions... with a view to strengthening them and making them more precise, effective and operational." Sources said that while some other developing countries privately agree with this view, only Egypt said so during the meeting.

Developed countries are nervous about the prospect of explicitly including that phrase, fearing that it would turn the monitoring mechanism into a permanent negotiating forum. As they see it, the principles strike an appropriate balance, in which the mechanism would be more than a simple transparency exercise, but short of a full-fledged negotiating group.

A number of developing countries, including India, noted that the guiding principles were neither final nor exhaustive in terms of shaping the prospective monitoring mechanism.

Sources indicate that the chair's revised 'non-paper' should be ready in the next week, but is not likely to be discussed till December.

ICTSD reporting.

Experts Examine Environmental Effects of Trade and Transport

Greenhouse gas emissions from the transport of traded goods account for a growing share of the global total. At a workshop organised last week by the WTO secretariat, trade negotiators heard expert presentations on the varied links between trade, transport, and the environment.

An official from the Organisation for Economic Cooperation and Development noted that trade liberalisation had had negative net global effects in terms of greenhouse gas emissions, since increased income and improved production techniques did not militate in favour of reduced emissions, as they did for localized pollutants.

A World Bank representative told the negotiators that the reduction in traditional tariff and non-tariff barriers mean that transport costs are now significant in comparison. Core transport costs now account for about a fifth of total trade costs, he said. While one study suggested that a 10 percent increase in transport costs on average leads to a 20 percent decrease in trade volumes, the value-to-weight ratio of international trade has fallen sharply, thus reducing the overall significance of transportation costs. He said that on the basis of current trends, trade-related transport would become a major emitter in the decades to come. Effective change in the sector would require both technology standards and carbon prices, he suggested.

The International Maritime Organization, the UN special agency for maritime safety and pollution, described regulations for nitrogen and sulphur oxides from shipping vessels, and described some efforts by the maritime transport industry to develop measures to reduce emissions. Sources report that the official did not discuss the IMO's struggling negotiations to establish energy efficiency requirements for international shipping (see [Bridges Trade BioRes](#), 11 October 2010).

On the subject of the fast-growing international air transport sector, the International Air Transport Association (IATA) described the sector's road map for reducing emissions, which focuses mainly on technological and operational

improvements and the use of biofuels in the aviation fuel mix. If governments improved air traffic control infrastructure and reached more airspace-sharing agreements, the representative said, it would allow for more direct and consequently fuel efficient flights. He noted that while many emissions reduction measures would actually boost profits by lowering fuel costs, some were very expensive and would not become worthwhile unless carbon prices reached hundreds of dollars per tonne. He warned that multiple carbon pricing and taxation schemes on air tickets could hurt tourism in developing countries, particularly in the Indian Ocean and the Caribbean.

Delegates asked questions following the different presentations, commenting about the complexity of carbon accounting and pointing to other studies suggesting that trade liberalisation's effect on greenhouse gas emissions were more modest. Australia explained what it was doing to measure and reduce emissions resulting from trade.

When the chair of the Committee on Trade and Environment first mentioned the possibility of a workshop on trade-related emissions, Saudi Arabia, China, and India objected to holding it within the CTE. The workshop was ultimately hosted by the WTO secretariat, and Deputy Director-General Harsha Singh reported on it to a 9 November meeting of the CTE in 'regular', i.e., non-negotiating session.

ICTSD reporting.

EVENTS & RESOURCES

Vacancy

Position open immediately to support the work of the Permanent Mission of the Kingdom of Saudi Arabia to the WTO in Geneva. Background in WTO affairs required with experience in NAMA and/or Services. Arabic language skills and existing work permit preferred. Please send CVs to ksawto@gmail.com.

Events

Coming up this week

18 – 19 November, Bogota, Colombia. IDB MITIGATION AND ENVIRONMENTAL SUSTAINABILITY WORKSHOP. The national workshop "Mitigation of Climate Change and Environmental Sustainability: Roles can play in development banks in both dimensions" is intended to provide an overview of the risks and opportunities of climate change as well as the funding challenges that face within the context of climate change mitigation. This event is co-organized by the Inter-American Development Bank (IDB), the Banco de Comercio Exterior de Colombia (Bancoldex) and the American Association of Development Financing Institutions (ALIDE). For more information, please refer to the event's webpage at <http://events.iadb.org/calendar/eventDetail.aspx?lang=En&id=2570>

19 November, Geneva, Switzerland. SHORT COURSES ON KEY INTERNATIONAL ECONOMIC ISSUES. Part of a series of short courses on key international economic issues to be held in the second half of 2010 for delegates and other staff who follow matters pertaining to UNCTAD or the World Trade Organization (WTO) in Geneva. The aim is to give permanent missions an opportunity to follow a shorter, more focused version of the regional three-week course on key issues on the international economic agenda. For more information, please refer to the UNCTAD website at <http://www.unctad.org/Templates/Meeting.aspx?ntItemID=2068&lang=1&m=20243&year=2010&month=11>

21 – 23 November, Helsinki, Finland. SECOND MEETING OF THE CONSULTATIVE GROUP ON IEG. The second meeting of the Group established by the Governing Council to build upon the work of the previous group and will consider options for broader reform of the current IEG system. The outcome of the Group's discussions will be contributed to the preparatory process for the Rio+20 Conference in support of its second theme: The institutional framework for Sustainable Development. For more information,

please refer to the Group's webpage at <http://www.unep.org/environmentalgovernance/Introduction/GCfeb2010/tabid/4556/language/en-US/Default.aspx>

21 – 25 November, São Tomé, Sao Tome and Principe. 14TH AFRICAN OIL, GAS AND MINERALS TRADE AND FINANCE CONFERENCE AND EXHIBITION. The African Oil, Gas and Mines Trade and Finance Conference and Exhibition is an annual forum for sharing experiences and debating topical issues relating to the extractive industries, such as: investment and finance; legal and regulatory issues; revenue and resource management; energy security; technology; and local participation. The objective of the conference is to provide a platform for high-level policy dialogue between producers and consumers, investors and host countries and other stakeholders. For more information, please refer to UNCTAD's webpage <http://www.unctad.org/Templates/Meeting.aspx?ntItemID=2068&lang=1&m=19681&year=2010&month=11>

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.

17 November: Council for Trade in Services

17 November: Sub-Committee on LDCs

18 November: Committee on Agriculture

18 November: Council for Trade in Services

22 November: Working Party on Domestic Relations

22 November: Working Party on the Accession of Seychelles

Other upcoming events

24 – 26 November, Tokyo, Japan. ADBI-OECD ROUNDTABLE ON INNOVATION FOR BALANCED AND SUSTAINABLE GROWTH. This round-table, hosted by the Asian Development Bank Institute along with the OECD, will deal with the following issues relating to innovation: (i) innovation today; (ii) innovation for balanced and sustainable growth; (iii) making innovation work for development; (iv) seizing the benefits of the global value chain at the local level; (v) green growth, innovation and technological transfer; and (vi) international cooperation for innovation. For more information, please refer to the event's announcement at <http://www.adbi.org/event/3919.adbi.oecd.roundtable.sustainable.growth/>

24 – 26 November, New Delhi, India. THE ENVIRONMENTS OF THE POOR. The regional conference is in cooperation with Asian Development Bank (ADB), and organized together with 12 other development partners. The Delhi conference will review the linkages between the environment and poverty reduction from a spatial, climate change, and green economy perspective. It will provide knowledge sharing from country, sector and thematic studies and operational examples relevant for upscaling. It intends to influence policy makers – especially in finance and planning as well as sector experts and representatives of cities – to focus more on the environments of the poor. For more information on this event, please visit the ADB's website at <http://www.adbi.org/event/4083.environment.poor.climate.change.green.economy/>

29 November – 1 December, Dubai, United Arab Emirates. SUMMIT ON THE GLOBAL AGENDA. The Summit on the Global Agenda is a unique gathering of the Members of the Forum's Network of Global Agenda Councils, the world's most relevant thought leaders from academia, business, government and society. During the three-day Summit, over 700 participants will engage in interactive workshops and sessions to set priorities for the most compelling ideas to improve the state of the world and identify the latest trends, risks and innovative solutions to address the world's challenges. The outcomes of

the Summit will be integrated in the World Economic Forum Annual Meeting 2011 in Davos-Klosters for further discussion and action. For more information, please visit the World Economic Forum's website at <http://www.weforum.org/en/Communities/GlobalAgendaCouncils/SummitontheGlobalAgenda2010/index.htm>

30 November, Geneva, Switzerland. WIPO SEMINAR SERIES ON THE ECONOMICS OF INTELLECTUAL PROPERTY. The objective of patent rights is to foster innovation and economic growth. However, to date, there is little robust evidence that patents “work” as intended. Rather than asking whether countries with stronger patent rights experience faster economic growth, this seminar will ask whether more patent-intensive industries grow relatively faster than less patent-intensive industries in countries with stronger patent rights. In this study of 54 manufacturing industries in up to 72 countries between 1981 and 2000, we show that, empirically, stronger patent rights were associated with faster growth in more patent-intensive industries, which effect was stronger in more advanced economies. For more information, please visit the World Intellectual Property Organization's website at http://www.wipo.int/meetings/en/details.jsp?meeting_id=20503

Resources

WORLD ENERGY OUTLOOK 2010. (International Energy Agency, 9 November, 2010). The 2010 edition of the World Energy Outlook (WEO) provides updated projections of energy demand, production, trade and investment, fuel by fuel and region by region to 2035. It includes, for the first time, a new scenario that anticipates future actions by governments to meet the commitments they have made to tackle climate change and growing energy insecurity. WEO-2010 also puts the spotlight on several topical issues, including what more must be done and spent post-Copenhagen to limit the global temperature increase to 2°C and how these actions would impact oil markets; how emerging economies – led by China and India – will increasingly shape the global energy landscape; the costs and benefits

of increasing renewable energy, the outlook for Caspian energy markets and their implications for global energy supply, the future role for unconventional oil and the crucial importance of energy in achieving the UN Millennium Development Goals. For more information, please visit the World Energy Outlook's website at <http://www.worldenergyoutlook.org/>

THE ECONOMICS OF POPULATION POLICY FOR CARBON EMISSIONS REDUCTION IN DEVELOPING COUNTRIES. By David Wheeler and Dan Hammer. (Center for Global Development, 2 November 2010). This paper considers the economic case female education and family planning, which it claims are both critical for sustainable development, and merit expanded support without any appeal to global climate considerations. The paper however, warns of expected cuts to programs promoting these causes as countries suffer financial deficits. Using recent data on emissions, program effectiveness and program costs, the paper estimates the cost of carbon emissions abatement via family planning and female education. The authors compare their estimates with the costs of numerous technical abatement options that have been estimated by Naclér and Enkvist in a major study for McKinsey and Company (2009). The authors find that the population policy options are much less costly than almost all of the options Naclér and Enkvist provide for low-carbon energy development, including solar, wind, and nuclear power, second-generation biofuels, and carbon capture and storage. For more information, please visit the Center for Global Development's Website at <http://www.cgdev.org/content/publications/detail/1424557>

CAN BIOMASS POWER DEVELOPMENT?

By Keith Openshaw (International Institute for Environment and Development, April 2010). Biomass has been dubbed the 'Cinderella' of fuels. Few energy planners, development banks and policy makers treat biomass as a legitimate form of energy, despite it being the principal source of energy in developing countries and regardless of its importance in their economies, especially the household, industrial and service sectors. Biomass is a biological material derived from living or

recently living organisms, and includes wood, vegetative waste and dung and their products, such as charcoal, alcohol fuels and biogas. It is a source of renewable energy and a versatile carbon based fuel that can be grown on even the poorest soils. It does not increase emissions of greenhouse gases when optimal energy conversion processes are used. In many countries, it is an important traded fuel and provides employment to rural people, thus assisting poverty alleviation. This paper explores the pros and cons of biomass and the logistics of switching to other fuels in developing countries. For more information on this paper, please refer to the IIED's website at <http://www.iied.org/pubs/display.php?o=14598IIED>

CHINA IN AFRICA: A MACROECONOMIC PERSPECTIVE. By Benedicte Vibe Christensen. (Center for Global Development, 5 November, 2010). In recent years, China has dramatically expanded its financing and foreign direct investment to Africa. According to the author, this expansion has served the political and economic interests of China while providing Africa with much-needed technology and financial resources. This paper looks at China's role in Africa from the Chinese perspective. The main conclusion is that China, as an emerging global player and one of Africa's largest trading and financial partners, can no longer ignore the macroeconomic impact of its operations on African economies. Indeed, the paper concludes that it is in China's interest that its engagement leads to sustainable economic development on the continent. Trade, financing, and technology transfer must continue at a pace that African economies can absorb without running up against institutional constraints, the capacity to service the costs to future budgets, or the balance of payments. A key corollary the paper points to is that China should show good governance in its own operations in Africa. Finally, macroeconomic analysis needs to be supported by better analytical data and organization of decision making to support China's engagement in Africa. For more information, please visit the Center for Global Development's website at <http://www.cgdev.org/content/publications/detail/1424567>

