



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

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NOTE TO SUBSCRIBERS

This is the last issue of Bridges Weekly for this year. The first issue of 2011 — Vol. 15, No. 1 — will be published on 19 January. The ICTSD team would like to thank our readers for their continued attention and our funders for their critical assistance. We wish you the very best for the holiday season and the new year.

LEAD STORIES

Cancun Climate Summit Exceeds Low Expectations, But Sidesteps Trade Issues

The United Nations climate summit that finished in Cancun this month surpassed low expectations when governments struck a deal that keeps alive efforts for a multilateral response to tackle climate change.

The agreements reached in the Mexican beach resort do not establish caps on greenhouse gas emissions; on that crucial issue, they simply kick the can down the road to next year's summit in Durban, South Africa. But governments agreed on an international system for monitoring mitigation, fleshed out a facility for climate finance, and established rules for rewarding forest preservation. They also steered clear of a clash that could have killed what remains of the Kyoto Protocol. Trade issues, from emissions resulting from the international shipment of goods to the use of unilateral trade measures ostensibly to offset reduced industrial competitiveness resulting from higher carbon costs, proved too contentious, and were left out of the text.

Additionally, any references to the use of unilateral trade measures were removed, leaving a crucial element of enforcement and regulation unresolved.

Clearly, trade issues proved to be some of the most difficult questions to untangle and agree upon in Cancun.

If hopes for the 2009 summit in Copenhagen had been impossibly high, the bar for the Cancun Conference of the Parties (COP) to the UN Framework Convention on Climate Change could hardly have been set lower. Most observers expected at best some modest agreements on forests or climate finance. Going into Cancun, where the talks ran from 29 November to 11 December, governments' positions were diametrically opposed on future obligations to reduce greenhouse gas emissions. China and India said they would not endorse any agreement that did not commit developed countries to take on further emission reduction obligations under the Kyoto Protocol. The US - which is not a party to the protocol - wanted to replace Kyoto with a new agreement that would include binding commitments for all countries. As the meeting got underway, possibility of a compromise receded further when Canada, Japan and Russia announced that they would not sign up for a second phase of Kyoto commitments.

But well into the second week of talks, there were signs ministers were making progress on key areas. After some last-minute hiccoughs and all-night talks, governments finally reached an accord in the wee hours of 11 December - in no small measure, many delegates said, due to skilful chairing by COP President Patricia Espinosa, Mexico's foreign minister.

Spirit of compromise

There are two texts that make up the Cancun Agreements: one on Long Term Cooperative Action (LCA) and one on the Kyoto Protocol. Much compromise can be seen in the texts with give and take by both developed and developing countries. For example, the Green Climate Fund - which was established last year in Copenhagen - was strengthened and the World Bank was given a three-year interim mandate to serve as trustee.

Many experts have suggested that the Bank is one of the few international institutions with the capacity and experience to administer the fund. But accepting the central role for the institution represented a significant concession by developing

countries, many of which had staunchly resisted giving an important role to the World Bank, arguing that it had historically favoured developing country priorities.

This concession was balanced by an agreement that the Fund would be designed by a transitional committee made up of a majority of developing countries. The 40 member committee will be made up of 15 developed countries and 25 developing countries (seven from Africa, seven from Asia, seven from the Group of Latin America and Caribbean Countries (GRULAC), two from small island developing states (SIDS), and two least-developed countries).

Another major compromise - particularly for China - can be seen in the establishment of an international system for providing measuring, reporting, and verification (MRV) for mitigation actions. This "transparency" issue had seemed too difficult to solve in the weeks leading up to Cancun, with the US insisting that it be a part of any financing package and China resolutely against anything of the sort.

On mitigation in general, parties agreed that by the time next year's Durban COP arrives, they would establish a timeframe for emissions to reach a global "peak." China has been resistant to committing to a peak in the past, arguing until quite recently that it expects its emissions to continue to rise for some time.

Kyoto not dead, but on life support

The Kyoto Protocol lives to see another day. Although debilitated, it is not dead, as many thought might happen. Several developed countries - including Canada, Australia, and Japan - had been calling for an end to Kyoto, arguing that any climate deal that does not require major economies like China and India to meet mitigation targets is ineffective.

Cancun secures the survival of Kyoto's Clean Development Mechanism (CDM) programme and opens up the possibility for its expansion. The deal, however, does not establish a second term of emissions reduction commitments for Kyoto and it still is unclear what will happen when the first phase expires at the end of 2012.

Another key victory for developing countries is that, as laid out in the Kyoto Protocol, they will continue to not be penalised for failing to meet their emissions targets. In the end, China also managed to include language that allows it to set its reduction target based on “emissions intensity” - a less arduous target based on carbon emissions per unit of economic output. Developed countries had been pushing for commitments capping total emissions.

The agreement also establishes rules on the enhanced Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD+) programme, a key issue pushed by Mexican President Felipe Calderon.

Notably, the rules on REDD+ now mention the need to respect the rights of indigenous communities and others, in accordance with international law. Some developing countries, most notably Bolivia, had expressed reservations that an international forests agreement might impinge on the traditional practices of forest dwellers.

Small Island Developing States (SIDS), the countries most vulnerable to rising sea levels resulting from climate change, received a small victory with language that “recognises the need to consider” strengthening the long-term goal of capping global average temperature rises by lowering this goal from 2°C to 1.5°C.

Thorny trade issues nixed

While the Cancun meeting surpassed what had been expected of it at the outset, several key issues were dropped in order to reach consensus – trade-related issues among them. Agriculture, which had been considered one of the easier negotiating issues, became linked in the negotiating process to contentious discussions about emissions resulting from international shipping. When it became clear that parties would be unable to overcome their differences on how to manage bunker fuels - the global nature of the industry makes it difficult to make decisions on jurisdiction - both issues were snipped out of the text.

Additionally, any references to the use of unilateral trade measures were removed, leaving the issue unresolved. It remains to be seen how

governments will try to address these thorny issues when the UNFCCC process resumes in 2011.

Consensus or unanimity?

Beyond the agreements reached there, Cancun will be remembered for the tense final moments that brought the meeting to a close. Throughout the final plenaries, Bolivia expressed again and again its disagreement with the content of the two texts. Its many objections ranged from what it felt was the insufficiency of the mitigation measures provided for to a lack of inclusiveness in the process.

A few countries - including Venezuela, Cuba, and Saudi Arabia - acknowledged Bolivia's objections and suggested heading back to negotiations, but eventually the Latin American country found itself isolated.

When it looked as though the COP would come to a close despite its objections, Bolivia's UN Ambassador Pablo Solon repeated that his government did not agree with the texts and therefore there was no consensus and, as such, they could not move forward. “Not even in Copenhagen, with all of the problems that there were, was this rule disrespected,” Solon said.

Espinosa gavelled the agreements anyway, taking note of Bolivia's objections. Bolivia spoke out again to complain that the rules of the international system were being violated. “This will set a dangerous precedent of exclusion,” Solon insisted. “It may be Bolivia tonight, but it could be any country tomorrow.”

Espinosa responded that the consensus rule does not mean unanimity. She further responded that she could not permit one country to exercise an effective veto over 193 other countries.

After the UNFCCC was concluded in 1992, parties to it were never able to agree on rules of procedure. In the absence of designed rules for decision-making, consensus had prevailed.

Analysts say the issue of consensus is certainly not closed and will have to be revisited in the future. But for now, many delegations and observers are stressing that the transparent and firm process in

Cancun has restored their support for, and faith in, multilateralism and international cooperation on climate change.

ICTSD reporting.

General Council: Lamy Calls on Members to Abandon 'Red Lines' in Pursuit of Doha Deal

2006, 2007, 2008, and now, 2011. Trade negotiators at the WTO in Geneva will begin the new year with another push for an agreement in the long-struggling Doha Round negotiations, which have languished for the past two years. Succeeding where they have previously failed will hinge upon whether they are able to “move out of their comfort zones” and make new concessions, WTO Director-General Pascal Lamy told members of the global trade body last week.

“I call upon all delegations to ensure that your representatives, at whatever level, are mandated to negotiate. At this stage it is not enough to have answering machines around the table,” he told a 14 December meeting of the General Council, the WTO’s top permanent decision-making body. “There can no longer be any a priori red lines.”

“The time has arrived to move into real negotiating mode,” he added.

Lamy was largely repeating comments he made to a 30 November session of the Trade Negotiations Committee, the body that oversees the Doha Round negotiations (procedure requires a year-end report to the General Council). At that meeting, he said that the Group of 20 leading economies and the Asia-Pacific Economic Cooperation (APEC) forum had given WTO members the “signals we need” to step up attempts for a deal in the troubled talks. The G-20 leaders’ mid-November summit in Seoul identified 2011 as “a critical window of opportunity, albeit narrow” for concluding a Doha accord, the narrowness possibly arising from the US presidential election the following year. (See [Bridges Weekly](#), 1 December 2010)

Intensive negotiations are set to start from 10 January, when the negotiating groups on rules, trade facilitation, trade and environment,

intellectual property rights, and development will begin intensive sessions, followed on 17 January by agriculture, non-agricultural market access (NAMA), services, and dispute settlement. Lamy has asked members to search for compromise in a wide variety of formats - small groups, bilateral contacts, negotiating groups and his own consultations – in what he dubs the ‘cocktail approach’.

The WTO chief told the General Council he would convene an informal meeting of the Trade Negotiations Committee on 2 February, preceded on 26 January by a smaller ‘green room’ meeting of a representative cross-section of member delegations.

Members agreed that “at the right moment” they would need to develop “a more global sense of what the final package would contain,” he said. Some members want this process, which would by definition involve comparisons across sectors like agriculture and industrial goods, to start before the chairs of the different negotiating groups issue revised draft agreement texts. Others think it should start only after the texts are tabled – members are targeting the end of March 2011 for the chairs to issue new texts. At any rate, Lamy said that members agreed that the timing of the assessment would depend on substantive progress in the negotiating groups – compromise proposals from members would greatly help the chairs draft new texts that garner wider support.

Lamy said that delegations recognised the need for senior officials and ambassadors to play a central role in the intensified negotiations. He stressed to the General Council that while members attempted to advance “on all fronts of the negotiation at the same time,” care would be taken to schedule meetings to accommodate the needs of smaller delegations, and that there would be “every effort to ensure transparency and full participation.”

While the new push for a Doha deal may inspire a sense of déjà vu among trade negotiators (and indeed among readers of this news bulletin), the first goalpost for the talks in early 2011 – new texts by the end of March – is relatively modest: in prior years, members set out to achieve ‘modalities’ deals by Easter, although they invariably failed to do so.

Last chance saloon for the Doha Round?

For all of the many setbacks suffered by the Doha Round negotiations, political leaders have generally refrained from talking about the possibility that governments might simply give up. Old trade hands point to the fact that no multilateral trade round has ever failed to argue that governments will ultimately salvage some sort of agreement and declare victory.

Nevertheless, EU Trade Commissioner Karel de Gucht suggested last week that countries might have to pull the plug on Doha if they cannot reach an agreement next year. In an interview with the Financial Times in Washington, de Gucht said “If we don’t anything by the summer ... Doha could be over.” Following the signals from the G-20, the European said he felt there was a “good chance” for a deal, but “it could be the last chance.”

ICTSD reporting; “EU official welcomes US trade policy shift,” FINANCIAL TIMES, 17 December 2010.

LDCs Need New Approach to Development Policy, Say Experts

The world’s poorest countries and the international community urgently need to revise their approach to development policy. Or so believe many economic, trade, and development experts looking ahead to a high-profile United Nations summit on least-developed countries (UNLDC IV) in Istanbul next May.

Since 1971, the United Nations has identified LDCs as a category of states which, for reasons of very low income, poor human development, and high economic vulnerability to natural, trade, and economic shocks, face more structural handicaps than other countries in rising out of poverty.

However, over the past 40 years, despite the increased spotlight on their problems, and considerable economic aid, the number of LDCs has doubled, to 49. Only two have graduated to non-LDC developing country status: Botswana, in 1994, and Cape Verde, in 2007. Most remain exporters of primary In meetings aimed at

preparing for the Istanbul summit – one in Dhaka, Bangladesh, organised by the Centre for Policy Dialogue, and another in Geneva, organised by the World Bank – participants expressed frustration at this lack of progress. Many LDCs remain exporters of raw materials, with little value addition taking place, a diagnosis that has remained largely unchanged over the past thirty years. Even the LDCs that have expanded trade and attracted foreign investment have struggled to diversify beyond a handful of products. Despite high commodity prices over the past decade, LDCs are still failing to converge with developing countries, with income gaps widening instead of narrowing. Reversing this trend will require new policies, the experts said.

At the meeting in Geneva, which took place on 13 December, Paul Collier, an Oxford economics professor and author of ‘The Bottom Billion’, called for this new development focus to be put on manufacturing, since it has high growth potential and can create jobs. He pointed to Bangladesh as a positive example of this approach. Mustafizur Rahman, executive director of the Dhaka-based Centre for Policy Dialogue, explained how Bangladesh had gained from targeting aid to exporting industries, particularly in the garment sector.

Also in Geneva, it was suggested that better management of natural resources could support development – in many poor countries, the presence of natural resources is often negatively correlated with development, as the so-called ‘resource curse’ leads to conflict, corruption, and bad governance. Participants suggested that databases such as the natural resource charter (www.naturalresourcecharter.org), which provide information on how to best manage the opportunities created by finding of natural resources for development, could potentially help LDCs make long term, durable development gains from reinvestment of resource profits into their economies.

A theme echoed at both meetings was the opportunity presented by the changing dynamics of the global economy and of LDC trade patterns. While LDCs traditionally focused on Northern markets, relying on trade preferences linked to colonial-era ties, developing countries – above all, China – were becoming a more and more

important source of capital and destination for exports. Furthermore, since emerging economies will be the fastest growing economies in the near future, LDCs should try to get access into these markets.

Value addition central to structural transformation

But accessing new markets is not the only challenge, as Rehman Sobhan, a prominent Bangladeshi economist and founder of the Centre for Policy Dialogue, said in Dhaka at the late-November meeting. Increasing value addition, and expanding the participation of poor people in structural economic transformation, remain the ultimate objectives. China, India, and Brazil had been transformed by massive investments in value addition, he said. Competing solely on the basis of cheap labour, Sobhan argued, was “politically and socially unsustainable, and morally questionable.”

He suggested that one way to do this would be to give workers ownership rights in processing enterprises; another would be to require foreign resource investors to provide domestic entities with an equity share in their projects. Small rice farmers could get together and cooperatively set up a mill; cacao farmers could receive equity shares in cocoa processing industries, some of which are now relocating from the North to the poor countries where the cocoa is produced.

Asked whether WTO rules, which restrain governments from using a variety of subsidies and performance requirements that countries traditionally used to stimulate domestic industrial activity, affected attempts to stimulate value addition, Sobhan said “they’re not helpful.”

“The problem with the WTO strictures,” he told Bridges, “is that they have frustrated the design of a purposeful industrial policy, which was the way in which the East Asian countries, including India and China really transformed themselves.” In particular, they limited “the extent to which the state can intervene and really sort of support, and guide the market in a particular direction.”

Sobhan suggested that waivers permitting LDC governments to provide new industries with temporary tariff protection, capital subsidies, and

intermediate input subsidies could enable the development of value-added industries.

He noted that tariff regimes remained an obstacle to value-addition in LDCs – garments face much higher tariffs in the US market than does raw cotton.

In Geneva, a representative from the Coca Cola Company told the World Bank meeting that LDCs should open their markets gradually, at a pace appropriate for the country in question, even if protectionism is not the best solution for development. Since market opening entails many difficulties, the representative said, what is really needed is a joint discussion between the private and the public sector on how to lower tariffs – supplemented by action by international institutions to identify priorities for LDCs.

Promoting coordination between governments and the private sector was also pointed to by WTO Director-General Pascal Lamy, who suggested that such partnerships could be one potential focus for the Istanbul summit on LDCs. Other issues he raised were youth employment and the simplification of rules of origin, which often act as a barrier to LDC exports.

Aid, not just trade, is also likely to feature prominently in Istanbul. At the last UN LDC summit, in Brussels in 2001, government pledged to provide 0.15-0.2 percent of national income in aid to LDCs. Despite significant increases, however, development aid flows to LDCs remain at 0.09 percent of total donor country income, well below the target.

ICTSD reporting.

WTO Ag Talks To “Hit the Ground Running” in January – Chair

Farm trade negotiators must “hit the ground running” when they have a return to the WTO in January, the chair of the Doha Round agriculture talks warned last week. However, with no new signs of whether major players can offer new concessions, delegates are hovering between renewed hope and scepticism on the prospects for any breakthrough in the troubled multilateral negotiations.

Ambassador David Walker, the New Zealander chairing the WTO agriculture negotiations, told members that he would initiate consultations on unresolved issues on 17 January, as per the schedule outlined last month for a renewed push to deliver a Doha deal in 2011 (see Bridges Weekly, 9 December 2010). WTO Director-General Pascal Lamy has encouraged chairs to develop revised draft texts during the first quarter of next year, ahead of a possible ministerial gathering in June or July.

The agriculture consultations in January will be held in parallel to discussions on industrial goods, so that senior negotiators can explore potential trade-offs between the two negotiating areas, sources said.

On agriculture, discussions would first focus on the handful of questions that the chair had identified as outstanding in a March 2010 report (see Bridges Weekly, 24 March 2010). Negotiations have effectively been frozen since then, a standstill the negotiators attribute to the absence of any sign that political leaders were ready to reach a deal.

Walker told trade officials that his consultations were likely first to address how complex tariffs could be expressed in simpler forms; the 'special safeguard mechanism' that would allow developing countries to impose temporary additional duties in the event of a sudden import surge or price decline; and rules governing whether countries would be allowed to create new import quotas for their 'sensitive' products.

"If I were in your shoes, these are some of the areas that I would spend a bit of time thinking about in preparation for when we resume our work," Walker told a 10 December meeting of the entire WTO membership.

In addition to consulting on unresolved issues, the chair told delegates that he would continue technical work on the data that members will need to provide when finalising and scheduling the commitments they are negotiating. Topics on which members have called for further clarification would also be discussed, he said, and typographical errors in the draft would be corrected.

Changed atmosphere

Trade sources said that the renewed push for a deal had given negotiators a new sense of purpose. "The atmosphere has changed," one negotiator told Bridges. "People are saying they're committed to rolling up their sleeves," noted another.

However, delegates are also aware that the costs of failure could be huge. "If we don't come out of this dead-end street in the coming year, the whole credibility of the multilateral system is lost," said one.

"The real thing is willingness on the part of major players" said another, in comments echoed by several officials. "Is there a plan in the US?" asked one, who noted that many countries were looking to Washington for signals of willingness to re-energise the talks.

Countries such as Brazil and Argentina were reportedly keen for the chair to review the draft text in a holistic manner, rather than just focusing on the issues that had been bracketed or otherwise annotated to indicate a lack of agreement. However other members, such as the EU, were said to be unwilling to reopen areas of the text on which a provisional consensus had already emerged.

One delegate noted that there was a need for countries to review whether they "still agree" to the things they agreed in 2008, when WTO members came closer than they had before or since to an agreement. Others cautioned that the current draft text did not in fact represent an agreed document.

Some noted that the relatively few outstanding areas of disagreement in agriculture meant that senior officials should concentrate their efforts elsewhere. "The big block is NAMA" said one, in a reference to the talks on industrial goods.

Small groups

Major trading powers were continuing to meet in small group and bilateral discussions, sources said, in order to explore informally whether partners were ready to discuss new trade-offs and concessions. "The sniffing is going on in smaller

groups,” noted one delegate.

A group of eleven major trading partners, which have met recently to discuss the talks, were expected to consult each other again in January, sources said. The group, dubbed the G-11 and representing a cross-section of negotiating interests, reportedly includes Argentina, Australia, Brazil, China, the EU, India, Japan, Mauritius, South Africa and the US.

Delegates from small developing countries are nonetheless anxious that the process remains inclusive, transparent and participatory, said one negotiator.

“Tight” time frame

One official queried how much progress could be achieved before Walker returns to capital in April. “The time frame is extremely tight,” the negotiator contended. Others queried whether it would actually be possible to develop a revised negotiating text on agriculture by the end of March.

Senior trade officials, as well as Walker, are expected to attend the annual meeting of the World Economic Forum in the Swiss resort of Davos during the last week of January. Negotiators have traditionally looked to the gathering for political signals of countries' willingness to move in the talks at the WTO, although as a consequence the Geneva discussions have only tended to build momentum from February onwards.

“There are a lot of question marks” sighed one official, who nonetheless noted that “all of a sudden the thing could move if there's political will”.

ICTSD reporting.

WTO members this month fell short of agreeing on an update to a plurilateral agreement on government procurement, but a deal that would further liberalise access to billions of dollars worth of public procurement contracts among over forty countries is within reach in the first half of 2011, sources say.

Earlier this year, officials had hoped that the December meeting of the Government Procurement Committee would see members agree on a revision to the Agreement on Government Procurement (GPA), a plurilateral WTO accord that has since 1996 opened up access to several types of public tenders to companies from all participating countries. However, as the meetings approached, many recognised that this timeline, set out in a roadmap by the chair, was overly optimistic.

An agreement on revising the GPA would have required parties to the accord to agree on both a revised text for the agreement and on the extent of each others' future commitments on liberalised public procurement. Ultimately, negotiators fell short on both, when a week of meetings of the government procurement came to an end on 13 December.

While most aspects of the revised text, which was first provisionally agreed to in 2006, are now effectively finalized, with legal translations of most articles finalised. However, the last article of the new text, which deals with so-called ‘final provisions’ (Article XXII), remains under active discussion. This section will establish rules for when the new text would come into force, when the new coverage commitments would be phased in, and possibly include details about the committee's future work programme. Sources report that countries are not at loggerheads – indeed, they made some progress on simplifying the text – there are still some differences over the details of the article, particularly with regard to the future work programme. Part of the reason for the differences would be that a revised GPA would represent the first significant overhaul and replacement of a WTO agreement, so there are no clear precedents for when and how governments should sign the accord, or what thresholds should be for its entry into force.

OTHER NEWS

Members Fall Short of Government Procurement Agreement Revision, Target First Half of 2011

On the coverage of the revised GPA, the main sticking point remains disagreements between the EU and the US. Historically, the EU has believed its coverage under the GPA to be broader and more comprehensive than that of the US; Washington has rebuffed demands for reciprocity by pointing to metrics according to which its own public procurement are even more open. In addition to greater concessions from the US, Brussels is also seeking more concessions from Japan. During the recent talks, the US and Japan tabled new offers. The EU did not, although a new EU offer is expected soon. Sources report that the US was unhappy with the EU's failure to table an offer, to the extent that one stage, it seemed as though the US lead negotiator might walk out. In the end, however, the talks did not end abruptly, although they did not run as long as had been allowed for in the WTO's agenda.

Nicholas Niggli, the senior Swiss trade official who chairs the government procurement talks, now hopes that the talks can be brought to a close in the first half of 2011. Officials familiar with the talks believe that this timeline is realistic. The next rounds of government procurement talks are scheduled for late February and mid-March. The gap is intended to give capital-based officials in participating countries time to prepare, and work on final offers.

Other developments during the recent talks included progress done on the future work programme for the committee (i.e., after the revision is finalised). There is growing convergence on including an item about the treatment of small businesses in terms of access to public procurement programmes, an issue that many countries, including the EU, have been interested in exploring.

Also during the session, the committee invited Armenia to accede to the agreement, following the acceptance of the country's coverage offer and proposed public procurement laws. Armenia would become the forty-second party to the GPA, including the 27 EU member states.

ICTSD reporting.

EU, India Resolve Spat over Generic Drug Shipments, But FTA to Wait Until 2011

The European Union and India will miss their target of concluding a free trade agreement by the end of 2010, but have managed to resolve a spat over EU policies that saw Indian generic drugs confiscated in European ports while in transit on their way to other developing countries.

The drug seizures, which had become an irritant in the broader FTA negotiations, took place in 2008 and 2009, when several shipments of generic drugs from India were held for weeks by officials at European ports while en route to Brazil. The medicines in question were not patented in either the source or the destination country, but were patented in Europe. Brazil and India launched a WTO dispute against the EU, claiming that the seizures violated multilateral rules governing goods in transit. Brazil, India, and other developing countries have argued that the EU is confusing legitimate generics with counterfeits, and that the drug seizures could undermine poor countries' ability to acquire cheaper medicines.

Following an EU-India summit in Brussels on 10 December, officials said that the two sides had resolved the dispute in a manner that would allow Indian generics to transit through European ports without fear of confiscation.

"It is fair to say that in substance, we have an agreement," EU Trade Commissioner Karel De Gucht told journalists in Ottawa a few days after meeting with his Indian counterparts. He provided no specifics about the agreement, but suggested that its implementation would not be immediate. "We have to modify European regulations or European legislation," he explained, according to Agence France Presse. "And we have to do that through the co-decision procedure, which obviously takes some time."

EU officials say that India has not yet formally withdrawn its complaint at the WTO.

As for the FTA, Brussels and New Delhi are now aiming to conclude the deal by the spring of 2011. Rahul Khullar, India's commerce secretary, said that both sides have planned an intensified work

schedule in the months to come, with lead negotiators meeting at least monthly, and ministers to meet in March.

"Engagement has been intensified in all areas requiring additional work, and both sides intend to make all necessary efforts to conclude the negotiations in the spring of 2011," he said, according to a report by the ANI news agency.

Khullar said that some chapters of the agreement were complete, such as competition, trade facilitation, and dispute settlement. Others needed more work: on goods trade, both sides are preparing revised offers of market access. Services, trade defence instruments, and rules of origin need to be finalised.

Also incomplete are controversial chapters on investment and intellectual property rights. Separate from the dispute over the treatment of generic drugs in transit, public health advocates fear that the prospective EU-India FTA may include intellectual property provisions that will threaten access to medicine for the millions of people in developing countries who rely on low-cost Indian generics to treat conditions such as HIV/AIDS. They say that leaked copies of the draft suggest that the EU is seeking rules on "test data exclusivity" that would require would-be generics manufacturers to run their own expensive, and potentially risky clinical trials, instead of using the data produced by the company that first made the drug. Critics also worry that the EU is seeking to extend the patent protection period for drugs beyond the 20 years provided for under WTO rules. Reduced competition from Indian generics could increase drug costs across the developing world. AIDS patients and advocates organised protests to coincide with the EU-India meet in Brussels, calling for the trade negotiations to safeguard access to medicine.

The European Commission has generally declined to comment on specific clauses in the prospective accord, although officials have both confirmed the EU's interest in clinical test data exclusivity and denied that the intellectual chapter would extend medicine patent duration beyond the 20 years required by the WTO.

Indian critics of the accord also worry that opening up India's retail sector to investment from European giants such as Carrefour and Tesco would hurt the millions of small shops and hawkers that currently dominate the country's retail trade. Supporters of retail sector liberalisation counter that large-scale foreign investment in logistics and infrastructure such as cold storage would reduce massive wastage and lower prices.

The Economic Times, a leading Indian financial daily, warned that there was "considerable scope" for the EU-India FTA to lead to trade diversion rather than trade creation, given the two economies' different production profiles and India's comparatively high goods tariffs. In an editorial, it suggested that this risk could be offset by pursuing "deep integration" encompassing trade facilitation, investment, and services, which could boost productivity gains and spur business growth.

ICTSD reporting; "Welcome EU trade deal," ECONOMIC TIMES, 14 December 2010; "EU-India FTA, a case of so near yet so far," ANI, 10 December 2010; "EU, India resolve generics row: EU trade chief," 16 December 2010.

Rules: Members to Review RTA Transparency Mechanism; Make Little Headway on Fish

WTO members agreed this month to launch a review of a provisional mechanism for examining the rules in regional trade agreements, a step towards making the four-year old system permanent. The negotiating group on rules also examined proposals in the Doha Round talks on disciplining fisheries subsidies and updating anti-dumping rules, but sources said that little of what was discussed was new.

The transparency mechanism, launched on a provisional basis in 2006, provides for members who have concluded an RTA to promptly notify the WTO and supply information about the accord in question (see Bridges Weekly, 6 July 2006). This information in turn serves as the basis for a non-judgmental "factual report" by the WTO secretariat for governments to consider.

(Most RTAs would be examined in the Committee on Regional Trade Agreements, but 'South-South' agreements among developing countries would be examined in the Committee on Trade and Development.)

Ambassador Dennis Francis of Trinidad and Tobago said that members believe that the mechanism has performed satisfactorily, although could use some fine-tuning.

When it approved the RTA transparency mechanism in 2006, the General Council, the WTO's top permanent decision-making body, said that members could review and modify the mechanism and make it permanent as part of an eventual Doha Round accord. The review, which members agreed to launch on 13 December, should start in earnest in February 2011. The chair asked delegations to put forward their views on "systemic issues" related to RTAs. A prominent example of such issues is the ill-defined clause in GATT Article XXIV that effectively provides a carve-out for bilateral and regional trade agreements from the WTO's standard non-discrimination provisions for goods trade – so long as the bilateral and regional deals in question cover "substantially all the trade" among the countries concerned. What exactly "substantially all" means is not defined, and the number of exceptions and partner-specific provisions in different RTAs varies wildly. Other examples are rules of origin in RTAs, and the implications of RTAs for development.

On fisheries subsidies, sources reported that the chair's consultations did not see members express any new views, as delegates discussed three proposals. These included one from Korea (TN/RL/GEN/168), which has pushed back against calls for far-reaching disciplines on governments' ability to support the fisheries sector, focusing on preventing overfishing through better management; one from Brazil, India, China and Mexico (TN/RL/GEN 163) calling for exceptions for developing countries; and one from Australia (TN/RL/GEN 167) calling for a specific prohibition on destructive fishing practices such as bottom trawling.

One delegate opined that while the fisheries subsidy talks might currently be in repeat mode, with countries reiterating well-known positions,

this might change if governments move towards an end-game in the broader negotiations. At that point, the source suggested, the talks could become even tougher, as commercial interests that benefit from existing support schemes would dig their heels in and attempt to dissuade their national governments from making concessions.

Delegates also discussed several unresolved issues in the anti-dumping negotiations, such as how alleged dumping might affect nascent industries.

The rules talks are set to resume in late January, as part of the planned resumption of intensive negotiations across the spectrum of issues covered by the Doha Round.

ICTSD reporting.

WTO IN BRIEF

WTO Panel Upholds US Duties on Chinese Tyres

A WTO dispute panel last week gave the US a victory over China, ruling that safeguard tariffs levied by Washington on Chinese tyres since 2009 are consistent with multilateral trade rules.

The spat is one in a series of disputes the world's two biggest economies have brought to the global trade arbiter in recent years. The duties of up to 35 percent on car and truck tyres were introduced for a three-year period in September 2009, following a petition by the United Steelworkers union. At the time, Washington's decision incensed the Chinese government and raised questions about the Obama administration's commitment to open trade.

US Trade Representative Ron Kirk called the decision, which was released on 13 December, "a major victory for the US and particularly for American workers and businesses." The United Steelworkers also welcomed the ruling, saying that the duties had created more tyre manufacturing jobs in the US.

China has already announced its intention to appeal the ruling. It has 60 days to file an appeal.

Washington introduced the duties, worth US\$ 1.8 billion, invoking a controversial safeguard clause in China's terms of accession to the WTO. The 'transitional product-specific safeguard mechanism' was designed to help WTO members shield domestic industries against market disruptions and import surges resulting from Chinese imports. The United Steelworkers had asked for the duties to be imposed, arguing that a threefold increase Chinese tyre imports between 2001 and 2009 had cost 14 percent of US workers in the industry their jobs.

China initiated WTO dispute proceedings only three days after the Obama administration announced the duties, calling the safeguard tariffs harmful to both countries, "trade protectionist and intended to shift domestic political pressure." Beijing had noted that US tyre companies – which, notably, did not support the safeguard duties – had actively decided to shift manufacturing to China.

Meanwhile, observers of US trade policy conjecture that the ruling – and the Obama administration's staunch defence of the safeguard duties – may help smooth the way for the passage of the recently-amended free trade agreement between the US and South Korea.

Reuters reported this week that Washington is believed to be nearing a decision on whether to initiate WTO dispute proceedings against China's export restraints and other policies with regard to rare earth minerals.

ICTSD reporting, "China to appeal WTO tire ruling," REUTERS, 14 December 2010; "World Trade Organization Upholds American Tariffs on Tires From China," NEW YORK TIMES, 13 December 2010; "US nearing decision on new WTO case versus China," REUTERS, 20 December 2010.

Members Preparing for Third Global Review of Aid for Trade

WTO members last week looked at efforts to lay the groundwork for next year's planned examination of ongoing efforts to use trade-related development assistance to boost poor

countries' ability to participate in international commerce.

The third 'global review' of the WTO's aid-for-trade initiative is scheduled to take place in July 2011. According to the WTO secretariat, the purpose of these global reviews is to put a spotlight on aid-for-trade projects, both to improve monitoring and evaluation and to encourage both donors and recipients to step up work and make projects more effective. At a 7 December meeting of the WTO Committee on Trade and Development, members took stock of work being done to prepare for the high-profile meeting.

Matthew Wilson, a senior WTO secretariat official working on aid-for-trade, wrote recently in *Trade Negotiations Insights*, a sister publication of *Bridges*, that the goal of the third global review is to set in motion a process that can eventually answer the question: "Is aid for trade working?"

To help governments do this, the WTO and the Paris-based Organisation for Economic Cooperation and Development, which earlier developed a framework for the monitoring and evaluation of aid-for-trade efforts, have developed a series of detailed questionnaires for donors and recipients. In the questionnaires, are asked about things such as recent and upcoming changes in their policy strategies; how they define success; and the challenges they face in evaluating trade-related development cooperation, for instance in setting quantifiable targets or gathering data. They are also asked a variety of questions about the quality of donor-recipient dialogue; improvements in the alignment of aid-for-trade spending with national, regional, or multilateral priorities; and examples of best practice.

At the CTD meeting, Director-General Pascal Lamy urged members to provide input to the preparations for the review before the end of January 2011, pointing to the WTO/OECD questionnaires and a call for case stories about aid-for-trade projects. He noted that the Group of 20 leading economies pledged in November to maintain aid-for-trade spending at pre-crisis levels beyond 2011.

Secretariat officials described training events that were either planned or had already taken place in

every developing country region to help members prepare for the aid-for-trade review.

Sources report that so far, the WTO secretariat has received only three case stories and one questionnaire. However, a number of donors, including Norway, Australia, and Canada, promised to submit case stories by the end-January deadline. Recipient countries, academic institutions and civil society groups are also expected to submit case stories.

The CTD meeting also saw members report on preparations for a major UN conference on least-developed countries (LDC-IV) scheduled to take place in Istanbul in May. The LDC group at the WTO has called for making aid-for-trade a major part of the plan of action to be adopted there.

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming soon

10-11 January, New York, United States of America, **FIRST INTERSESSIONAL MEETING FOR UNCSO**. As called for at the first PrepCom of the UN Conference on Sustainable Development (UNCSO, also called Rio+20), the first of three intersessional meetings will be 10-11 January 2011. For further information, please refer to <http://www.uncsd2012.org/>

11-12 January, Basel, Switzerland, **FIRST SUSTAINABLE INFRASTRUCTURE FINANCING SUMMIT**. The UN Environment Programme Finance Initiative (UNEP FI) is partnering with Global Energy Basel to convene this event. The event focuses on the challenge of financing investment in low-carbon, resilient infrastructure necessary to both mitigate and adapt to climate change. It will feature investment forums, high-level roundtable discussions and specialized panels related to challenges and opportunities for sustainable infrastructure investment. For further information, please refer to <http://globalenergybasel.com/register/>

13-14 January, London, United Kingdom, **6TH INTERNATIONAL FORUM ON ILLEGAL, UNREPORTED AND UNREGULATED FISHING**. The 6th in a series of international forums on Illegal, Unreported and unregulated (IUU) Fishing will bring together leading policymakers, researchers, industry representatives and civil society groups from across the world to discuss the latest initiatives, regulations and research in the area of fisheries governance and trade in illegal fish products. For further information, please refer to <http://www.chathamhouse.org.uk/events/view/-/id/1792/>

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.

10 January: Rules, trade facilitation, trade and environment, intellectual property rights, and development negotiations begin.

17 January: Agriculture, non-agricultural market access, services and dispute settlement negotiations begin.

Other upcoming events

24 January, Paris, France, **ECONOMIC FORUM ON LATIN AMERICA AND THE CARIBBEAN**. The forum is organised by the OECD Development Centre, the Inter-American Development Bank and the French ministry of Economy, Industry and Employment. For further information, please refer to http://www.oecd.org/document/49/0,3343,en_21571361_44315115_32618737_1_1_1_1,00.html

24 January – 4 February, New York, United States of America, **NINTH SESSION OF THE UN FORUM ON FORESTS (UNFF 9)**. The theme

for UNFF 9 is forests for people, livelihoods and poverty eradication. UNFF 9 is also expected to complete consideration of the means of implementation for sustainable forest management. For further information, please refer to <http://www.un.org/esa/forests/>

25-28 January, London, United Kingdom,
UNITED NATIONS GLOBAL
CONFERENCE AT THE HIGHEST LEVEL.

This conference aims to measure the World Financial and Economic Crisis and Its Impact on Development. For further information, please refer to

http://www.oecd.org/document/49/0,3343,en_21571361_44315115_32618737_1_1_1_1,00.html

Resources

FOOD SECURITY, PRICE VOLATILITY AND TRADE: SOME REFLECTIONS FOR DEVELOPING COUNTRIES. By Eugenio Diaz-Bonilla and Juan Francisco Ron (ICTSD, November 2010). This paper work up from the household level to connect international trade rules to the national strategies needed to achieve food security. Their paper surveys the post-war history of agricultural trade to provide policy-makers with analysis of what could be done to improve poor people's access to food. A critical contribution to the debate that has been emerging since the food price spikes of 2007-08.

COTTON: WHAT COULD A DOHA DEAL MEAN FOR TRADE? (ICTSD Information Note, November 2010). Based on a more detailed study, this note summarises answers to various crucial questions: Will African farmers sell more of their cotton to outside markets? What would have happened if the US had brought its subsidies into line with WTO rules? Will global production increase as rules for trade are reformed? To access this information note, please refer to <http://ictsd.org/i/publications/93282/>

DISPUTE SETTLEMENT AT THE WTO: THE DEVELOPING COUNTRY EXPERIENCE. Edited by Gregory C. Shaffer, and Ricardo Meléndez-Ortiz (Cambridge University Press, November 2010). This book

provides a bottom-up assessment of WTO dispute settlement and the related challenges, experiences and strategies of nine individual developing countries in Africa, Asia, and South America. It assesses what these countries have done and can do to build the capacity to deploy and shape the WTO legal system. All chapters have been developed by local experts as input for regional dialogues organized by ICTSD. To access this book, please refer to <http://ictsd.org/i/trade-and-sustainable-development-agenda/98179/>

BIOFUELS PRODUCTION, TRADE AND SUSTAINABLE DEVELOPMENT. Edited by Annie Dufey and Maryanne Grieg-Gran (IIED, November 2010). This book presents case studies from Pakistan, Costa Rica, South Africa and Ecuador which give a low- and middle-income country perspective on the potential for biofuels development. Each case study, prepared by experts from each of the four countries, examines the potential for developing the biofuels sector in the national context, explores the tradeoffs for economic development and the sustainable development implications. To access this book, please refer to <http://pubs.iied.org/15504IIED.html>.

THE DRAGON IN THE ROOM, CHINA AND THE FUTURE OF LATIN AMERICAN INDUSTRIALIZATION. By Kevin P. Gallagher and Roberto Porzecanski (Stanford University Press, November 2010). The dragon in the room that few are talking about is the fact that China is simultaneously out-competing Latin American manufacturers in world markets—so much so that it may threaten the ability of the region to generate long-term economic growth. One of the authors' key claims is that China is rapidly building the technological capabilities necessary for industrial development, whereas Latin American tech innovation and sophistication lags considerably. At a deeper level, the findings in this volume imply that China's road to globalization, one that emphasizes gradualism and coordinated macro-economic and industrial policies, is far superior to the "Washington Consensus" route taken by most Latin American nations, particularly Mexico.

A HANDBOOK ON THE WTO CUSTOMS VALUATION AGREEMENT. By Sheri Rosenow and Brian J. O'Shea (Cambridge University Press, December 2010). This guide to

the WTO Customs Valuation Agreement cover the methods of valuation and the provisions on enforcement, implementation, and dispute settlement, the authors give practical examples, explain interpretative decisions of national and international customs bodies, and analyze the history of its negotiation.

HOW MIGHT THE EU'S COMMON AGRICULTURAL POLICY AFFECT TRADE AND DEVELOPMENT AFTER 2013? By Alan Mathews (ICTSD, December 2010). This paper analyzes the most recent European Commission communication on the reform of the Common Agricultural Policy (CAP). The reform process might be an opportunity to address the trade and development implications of the CAP. Prof. Mathews offers timely insight into the world's largest agricultural subsidy programme. To access this paper, please refer to <http://ictsd.org/i/publications/97803/>

FOOD SECURITY, FARMING, AND CLIMATE CHANGE TO 2050. By Gerald C. Nelson et al. (IFPRI, December 2010). This report examines scenarios, results and policy options to promote sustainable food production in an era of climate change. The report features 15 food security scenarios through 2050 that examine potential population and income growth, alongside climate change scenarios. The report suggests that the negative impacts of climate change on food security could be mitigated by improved agricultural productivity, broad economic growth and robust international trade to counter regional food shortages. The report notes poor biophysical and social data to help improve models, but also highlights initiatives underway to address these shortfalls. The report further underscores the need to improve satellite observation data. To access this report, please refer to <http://www.ifpri.org/event/food-security-farming-and-climate-change-2050>

CLIMATE POLICY AND TECHNOLOGICAL INNOVATION AND TRANSFER: AN OVERVIEW OF TRENDS AND RECENT EMPIRICAL RESULTS. By Haščic, I. and al. (OECD, December 2010). This working paper provides evidence on the generation and international diffusion of selected climate change mitigation technologies (CCMTs) and their respective links to key policies. The data covers a

selection of technology fields (renewable energy and 'clean' coal) and all countries over the last 30-35 years. To access this report, please refer to http://www.oecd.org/findDocument/0,3770,en_2649_34361_1_119684_1_1_1,00.html
