



Bridges Weekly Trade News Digest

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Contributors to this issue of Bridges Weekly Trade News Digest© are Andrew Aziz, Trineesh Biswas, Bonnie Magnuson, Paige McClanahan and Mahesh Sugathan. Editor: Paige McClanahan. Director: Ricardo Meléndez-Ortiz.

LEAD STORIES

March Too Early to Bring Ministers to Geneva: Lamy

A late March 'stocktaking' meeting to assess progress in the Doha Round of world trade talks will not involve trade ministers, WTO Director-General Pascal Lamy told a meeting of the organisation's General Council on Monday.

"I believe that this exercise is best undertaken by senior officials at this stage," Lamy said.

The announcement had been widely expected among followers of the global trade talks. Despite numerous calls from heads of state for the eight-year-old negotiations to be put to bed before the end of this year, members' positions have barely budged. To meet the end-of-year goal, officials will have to secure a major breakthrough – an agreement on 'modalities' deals for the formulas and figures governing members' tariff and subsidy cuts – before the end of the first quarter. That objective now seems almost out of the question.

As always, however, Lamy remained optimistic. "I believe the stocktaking provides an important opportunity to inject the political energy and momentum in the negotiations so that we can hopefully chart the path for cracking the remaining nuts," he told the assembled delegates.

"At the stocktaking we would therefore have a better sense of where the gaps remain, the size of these gaps, as well as the dynamic to address them," he said. "This would enable you to report to your ministers and decide after further consultations on how best to address the next steps post-stocktaking, which will need political guidance."

Lamy did not dismiss the 2010 deadline out of hand, noting instead that the question of whether

the end-of-year goal remains feasible “is a judgement that belongs to ministers.” To that end, he said, “engagement will be needed,” but he added that March is “too early” to bring together the necessary top-level officials.

The Director-General noted that he would likely convene senior officials for the stocktaking exercise on 29 and 30 March, although those dates have not been confirmed.

Responding to Lamy’s remarks in front of the assembled delegates, trade officials expressed their weariness and frustration with the continued lack of movement in the round. Several delegations complained that their efforts at progress had been hamstrung by senior officials in their home capitals who had not allowed them enough negotiating leeway to finish the job.

“The scepticism was pretty clear and straightforward,” said one trade official who attended the meeting. Several delegates had said that they will need stronger political guidance from higher-ranking officials if a deal is to be struck, the source added.

Addressing the General Council after Lamy’s remarks, Mexican ambassador Fernando de Mateo laid out three potential scenarios for the future of the Doha Round: the talks could muddle on for 2010, slowly becoming even more irrelevant; the negotiations could be suspended, although de Mateo warned that such a scenario would risk allowing the gaps in the talks to widen even further; or, as most delegates hope, the political will could be summoned to close the deal.

At this point, few people are talking seriously about suspending the talks, according to a source close to the negotiations. It is more likely that officials will continue to negotiate, spurred on by particularly enthusiastic WTO members such as Australia and the European Union. Lamy certainly intends to continue forging ahead.

“At a time when many members in this organisation are getting frustrated at the time it takes to realise the gains of this round for them, the negotiating chairs and I can and will chart a path for your engagement,” he told delegates. “But however good this path is, you yourselves

have to walk it by engaging in negotiations with each other...2010 cannot be a wasted year.”

The Doha Round is already the longest-running round of global trade talks in history. The Uruguay Round – which immediately preceded the Doha talks – previously held the record, having lasted a total of seven years and seven months. But each round of world trade talks has lasted longer than the one before it, and many observers say that this one is still worth fighting for.

In [a column](#) for Vox EU, Gary Clyde Hufbauer, Jeffrey Schott and Woan Foong Wong of the Peterson Institute for International Economics argue that sealing a global trade deal would be critical to staving off protectionist pressures and easing crisis-related unemployment. They predict that a Doha deal would boost global GDP by more than US\$ 280 billion each year.

“The death of Doha would likely propel a new wave of preferential trade pacts and severely fracture the multilateral trading system,” they wrote. “The Doha Round can and should be concluded.”

More information

The full text of Lamy’s remarks to the General Council is available here: http://www.wto.org/english/news_e/news10_e/tnc_chair_report_22feb10_e.htm

ICTSD reporting.

Environmental Goods Attract Renewed Engagement at WTO

Engagement in the WTO’s negotiations on liberalising trade in environmental goods is at a three-year high, according to a source with knowledge of the 18-19 February Special Session of the Committee on Trade and Environment (CTE-SS). The engagement has been spurred by a flurry of new proposals put forward by Argentina, Saudi Arabia, Japan and the Philippines.

While a handful of contentious issues have not yet been resolved, delegates at last week's meeting showed a willingness to engage in discussions in response to the chair's request that members start identifying the specific environmental goods in which they have a trade interest.

Climate change appeared to be very much at the centre of various proposals on goods, one delegate noted, adding that it would not be surprising if any final outcome of Paragraph 31 (iii) comprised mainly climate-friendly goods.

Philippines emphasises renewable energy

The submission by the Philippines was the highlight of the meeting, trade sources said, because it included a list of specific products (with their customs codes) for preferential tariff treatment – a first for a developing country outside the 'Friends of Environmental Goods' group. The 'Friends' negotiating bloc is composed of Canada, the EU, Japan, Korea, New Zealand, Norway, Chinese Taipei, Switzerland and the United States.

The informal submission by the Philippines (JOB/TE/2) placed an emphasis on solar energy-related parts and components, particularly on the non-tariff barriers that affect trade in such goods. The submission stated that it was without prejudice to the Philippines' position on the specific items that would be included in any final coverage of environmental goods and was contingent on the overall balance in the CTE-SS and the broader Doha Round talks. Thus, the Philippines retained the right to add, withdraw or revise items in its submission or make appropriate proposals on other items of discussion under Para 31 (iii).

The items proposed by the Philippines fell under three categories: 'renewable energy', 'waste management, recycling and remediation', and 'others'. The renewable energy comprised 12 products relevant to solar, wind and hydro-electric energy and gas-turbines while the 'waste management' and 'others' categories included 5 products.

Notable amongst the items were two examples of 'single-end' use products – products that did not

have other 'non-environmental' end uses: wind-powered electric generating sets and photosensitive semiconductor devices (including photovoltaic cells and light emitting diodes). Another notable product group included was biodegradable mats and screens made from coconut fibre to prevent soil erosion.

The Filipino submission reportedly drew support from a number of other members from Southeast Asia, in particular on products such as solar-panels and wind turbines.

Japan stresses standards for energy-efficient products

Japan also contributed a new proposal (TN/TE/W/75/Add.1), which complemented a proposal (TN/TE/W/75) it had submitted in November, that identifies specific tariff lines, with product descriptions of energy efficient goods.

The Japanese proposal contained a long list of goods related to electric, hydrogen, natural gas and clean-diesel vehicles as well as energy-efficient appliances. It also lays out draft technological and functional standards and ways to help customs authorities identify energy efficient goods at the border. All of this aims to serve as a basis for future discussions about establishing harmonised standards of energy efficiency among member countries.

Japan, in its submission, stated that it hopes that the establishment of a standard implementation scheme under the CTE-SS "would lead to the spread of energy efficient products certified under a single standard for energy efficiency, which would contribute to the mitigation of the climate change."

The proposal reportedly met with some criticism from both developing and developed country members over the scope of the products and also whether the harmonisation of standards was an issue that could be dealt with by the WTO. Some members wanted a discussion on standards to take place in the Committee on Technical Barriers to Trade (TBT) rather than in the CTE. According to a developed country trade delegate, it would be very difficult to agree on harmonised standards for energy-efficient products as country

circumstances are variable. The difficulty of differentiating energy-efficient goods at customs was also pointed out. According to a developing country trade delegate, the Japanese proposal seemed driven by export considerations.

Argentina, Saudi proposals discussed

The meeting also witnessed a discussion of the submissions that had been tabled in November 2009: an informal listing of a number of environmental products submitted by Saudi Arabia [JOB (09)/169], and a formal submission by Argentina (TN/TE/W/74) proposing the liberalisation of products used in Clean Development Mechanism (CDM) projects. The latter relates to goods that are a part of the CDM's 'integrated approach', whereby countries would identify and liberalise products for use in specified environmental projects on a 'time-bound' basis.

According to one delegate, the 'Friends' group's criticism of the integrated approach -- that it fails to offer predictable and permanent liberalisation -- held true for Argentina's proposal as well. While Argentina did not submit any specific list of products, it did mention in a footnote that possible products used in climate change projects might include wind turbines, solar water heaters, biogas production tanks, and methane collection liners.

Criticism was also aimed at the Saudi proposal for its inclusion of a large number of 'dual-use' products, particularly those related to natural gas derivatives and technologies. The Saudis, however, reportedly clarified their submission as a starting basis for discussions and that the products made sense from a 'value-chain' perspective.

According to trade sources, close to 60 products on the Saudi list converged with the list of 153 products already put forward by the 'Friends' group. There was some concern expressed over the inclusion of a number of chemicals and plastics. Chemicals had figured in previous submissions before it was dropped from the 'Friends' list.

A trade source also said it appeared that Saudi Arabia was making a case for its commitment to climate change mitigation efforts and

environmental protection, contrary to their often-perceived obstructionist role in the climate change negotiations.

Singapore reportedly pointed out a select few environmental goods of interest to them, although the country made no formal submission and mentioned no specific customs codes. These were industrial catalysers and industrial mufflers (under Solid Waste Management); engine catalysers/silencers (under Vehicular Emission Abatement) and photosensitive semiconductor devices, including photovoltaic cells used in solar panels; towers and lattice masts and pneumatic power engines and motors used in wind turbines (under Renewable Resources). Kuwait is also expected to come out with a submission shortly. Turkey noted that it was comfortable with more than 50 percent of the products on the 'Friends' list.

A number of delegations reportedly stressed the need for technical assistance, capacity building and special and differential treatment. The Indian delegate reportedly also highlighted the problem of 'dual-use' environmental goods and the need to identify 'single environmental-end use' goods.

A compilation document containing the various products submitted so far by Members will reportedly be circulated for the forthcoming CTE special session in April. Specific dates have not been confirmed.

ICTSD reporting.

OTHER NEWS

The US and China: Trade and Currency in the Balance

Cavernous trade deficits and high unemployment are an unhappy combination, for governments and for open trade.

When unemployment rates are high, as they are now – around 10 percent in the United States, and higher in some parts of Europe – politicians wishing not to join the ranks of the jobless find it

harder to argue that what domestic demand there is should support jobs elsewhere.

Thus, when times are good, deep trade deficits – and their inevitable counterpart, large surpluses in other countries – tend to be the subject of largely ignored warnings about global imbalances. But during recessions, they become politically explosive.

During the early 1980s, trade tensions pitted the United States against Japan and Germany, both of which were running substantial trade surpluses with the US. Today, it is the US and China, a relatively new export powerhouse, that have come to epitomise global financial imbalances (though they are hardly the only countries with significant surpluses or deficits).

A country's balance of trade depends on a wide range of factors, such as domestic savings and investment. But in times of crisis, countries with deficits seeking a quick fix for imbalances often single out exchange rates as the main culprit. Key surplus countries' currencies are too weak, they argue, making their exports unfairly cheap and imports unduly expensive.

In the first half of the 1980s, Washington pushed for the revaluation of the yen and the deutsche mark. Today, it is the Chinese renminbi that stands accused of being artificially weak.

Part of the contention over China's exchange rate arises from the fact that its currency has been effectively re-pegged to the dollar since July 2008, making it the only major economy without a floating exchange rate.

American and European policymakers have been urging China to increase the value of the renminbi (the base unit of which is called the yuan), but Beijing has rebuffed these demands. The tone of the exchanges has grown sharper. Earlier this month, President Barack Obama said that Washington would exert "constant pressure" on China, arguing that exchange rates were putting the United States at "a huge competitive disadvantage." Chinese foreign ministry spokesperson Ma Zhaoxu hit back immediately, saying the renminbi had "drawn close to a reasonable and balanced level."

"China has never attempted to seek a trade surplus," he said, according to a report in the state-owned China Daily. "Accusations and pressure will not bring solutions."

Few rules govern exchange rates

Despite their significant effects on trade competitiveness, exchange rates are not subject to any serious regulation at the international level. (A statute imposed by the International Monetary Fund statute has proven toothless.)

Nevertheless, changes in the value of a country's currency vis-a-vis those of its trading partners directly affect the cost of imports and exports, and swings in currency values can be dramatic. What's more, governments – depending on their wherewithal to do so – can exert substantial influence over their countries' exchange rate through monetary policy and active intervention in financial markets. Generally, monetary authorities vary these policies in order to pursue an optimal balance among considerations like unemployment, inflation, and asset prices. But they can also use these tools to keep currency values at levels different from those that would ordinarily have been set by the market.

The WTO sets out rules – some strong, some weak – for many import-restricting policies: old-fashioned tariff increases, complex new technical requirements, remedies to offset alleged underpricing or subsidisation, and 'buy domestic' clauses in government procurement contracts. It also prohibits several kinds of subsidies that governments might use to try to boost exports.

An undervalued exchange rate, however, works as both an import tariff and an export subsidy. But the only provision in WTO rules dealing with them is a clause specifying that members "shall not, by exchange action, frustrate the intent of the provisions" of the General Agreement on Tariffs and Trade (GATT Article XV(4)). Some experts think this wording is too vague to be the basis for an unequivocal legal victory in a dispute at the global trade body.

The debate over China's currency has been taking place against the backdrop of the unravelling of a

pattern that characterised the global economy in the years prior to the financial crisis: overconsumption in the United States facilitated by borrowing from East Asia (above all, China), where saving vastly exceeded consumption.

This deep interconnection, dubbed ‘Chimerica’ by the historian Niall Ferguson, saw the Chinese save while the Americans spent. Cheap Chinese imports kept US inflation low while generating jobs in China, and Chinese savings kept US interest rates low (too low, say economists who believe that China’s surpluses help fuel the US’s asset price bubble). Now, with US households increasing saving and decreasing consumption, the US government is hoping to make up the difference by increasing exports – especially to fast-growing countries like China.

Is the yuan undervalued?

Critics of China’s exchange rate policy note that China, a rapidly growing economy with an enormous current account surplus, should ordinarily have seen its currency rise. Instead, the currency has stayed put a roughly 6.83 yuan to the dollar over the past year and a half. And as the dollar fell against other major currencies last year, the yuan fell with it, losing over 10 percent against the euro in the last ten months of 2009.

Estimates of the undervaluation vary wildly, from a few percentage points to as much as 50 percent. John Williamson and William Cline, economists affiliated with the Peterson Institute for International Economics, estimate that as of December 2009, China’s currency needed to appreciate by 40.7 percent against the dollar. They reckon that in March 2009, the yuan needed to appreciate by 21.2 percent on average against all other major currencies; instead, by November of that year, its real exchange rate had decreased by 8.4 percent.

The Chinese government rejects these views. It notes that the renminbi appreciated by over 20 percent between 2005 and mid-2008 (a figure that, incidentally, is not very different from the 27.5 percent tariff that some US senators threatened China with in 2004 if it did not let the yuan rise). Beijing also resents the suggestion that it is not doing its part to contribute to global economic

rebalancing, pointing to its 4 trillion yuan (US\$586 billion) fiscal stimulus package.

Also, the peg cut both ways: when the dollar rose, as it did in late 2008 and early 2009 when investors fleeing financial market turmoil sought a safe haven in the US currency, so did the yuan, while other currencies fell. Between the start of 2008 and the end of 2009, the yuan rose against every major currency but the yen.

Jim O’Neill, chief economist at Goldman Sachs, wrote on a blog on the Financial Times’ website last December that according to the bank’s model for estimating fair value for different currencies, it was “no longer so clear” that the yuan was undervalued. He also noted that China’s current account surplus had shrunk almost by half, with imports growing more rapidly than exports, while domestic consumption growth remained strong.

“It’s very difficult to estimate the right exchange rate, that’s something we should never forget,” said Patrick Messerlin, an economics professor at the Institut d’Études Politiques in Paris and director of the Groupe d’Économie Mondiale.

“We have to be very cautious” when making such evaluations, he told Bridges. Nevertheless, a look at China’s domestic conditions, notably its large current account surplus, suggests that its currency was likely somewhat undervalued. China’s exchange rate policy was being affected by tensions between different domestic interest groups, Messerlin suggested. The bulk of China’s exports, at least for the time being, are relatively unsophisticated products manufactured in coastal states. These products are easily replaceable, and thus their makers would likely be hurt by a rise in the yuan.

What revaluation would – and wouldn’t – do

Furthermore, a revaluation of the yuan may not deliver everything expected by those who support it. Following the Plaza Accord in 1985, both the deutsche mark and the yen rose sharply against the dollar. But while the US trade deficit with West Germany shrank, its deficit vis-à-vis Japan continued to grow.

A rise in the yuan could have unintended consequences, according to Dani Rodrik, a

professor of political economy at Harvard's Kennedy School of Government. Undervalued exchange rates can contribute to growth in developing countries, he says, because they serve as incentives to shift economic activity into the production of tradable products, which tend to be produced by more modern, higher-productivity sectors. Rodrik estimates that a 25 percent appreciation in the yuan would reduce growth rates in China – the “the most potent poverty reduction engine the world has ever known” – by 2.15 percentage points per year. That would push growth below the 8 percent threshold the Chinese government deems necessary to maintain social peace.

However, the status quo has its own implications for development, argues Arvind Subramanian, a senior fellow at the Peterson Institute and the Center for Global Development. Subramanian says that China has effectively been hogging the world's production of tradables. “Higher tradable goods production in China results in lower traded goods production elsewhere in the developing world, entailing a growth cost for these countries,” he wrote this month in the Financial Times.

In that article, Subramanian contended that viewing China's exchange rate policy through the prism of global economic imbalances missed the point. “The real victims of this policy,” he wrote, “are other emerging market and developing countries.” These countries compete more closely with China than the US or the EU, which have different comparative advantages.

Countries that depend heavily on exports of light goods have indeed been affected by the value of the yuan, said Ed Gresser, a trade expert at the Democratic Leadership Council, a centrist Democratic Party think tank in Washington. While China's exchange rate policies might have hurt clothing exports to the US from Central America or Cambodia, he noted, countries selling commodities denominated in dollars “might not mind.”

This difference is also being played out within individual countries, leading to shifts within the economy, Gresser observed to Bridges in an interview. Thailand, for example, was being pushed out of the US market for toys, consumer

electronics, and clothes. On the other hand, Chinese demand has created “a huge boom” in rubber, tin, and agricultural commodities.

The tension between the diminished growth potential for other developing countries and the risks to Chinese growth pose “a significant challenge,” acknowledged Eswar Prasad, a Cornell University professor and former head of the IMF's China division.

Hopes that domestic consumption would quickly supplant exports as a principal driver of Chinese growth were likely to be disappointed, he said. “It is difficult to see how China could use up all the capacity it has built up through the giant investment boom without relying on exports,” Prasad told Bridges. “China is going to become even more dependent on exports in the near future.”

Given these circumstances, Prasad thought that Beijing would only alter its exchange rate policy if the dollar fell significantly, or if foreign export markets were very strong.

Extremely low interest rates in the US, part of a loose monetary policy aimed at stimulating economic growth, present developing countries with floating exchange rates with additional complications. “Emerging economies are being squeezed between low interest rates in the US and the fixed Chinese exchange rate,” Prasad said. Capital is flowing into emerging economies, as investors search for higher returns. This is driving up their currencies, in turn exacerbating their competitiveness concerns vis-a-vis China.

Many economists argue that allowing the yuan to appreciate would have considerable benefits for both China and Chinese consumers. A growth model that strikes a better balance between domestic consumption, investment, and exports would be more sustainable. Consumers would see their purchasing power rise. The government has lowered the cost of ‘sterilising’ capital inflows to prevent the currency from appreciating by engaging in financial repression, part of which involved keeping interest rates on bank deposits extremely low. Households would benefit from higher interest rates on their savings, which represent a considerable portion of their income.

At the international level, a less heavily managed yuan could play a greater role in global finance. Some financial market analysts have started to see signals that Beijing may let its currency rise – not because of hectoring by Washington, but because of a reassessment of the country's interests.

O'Neill of Goldman Sachs said this month that China may allow the yuan to appreciate by as much as 5 percent in an attempt to prevent the economy from overheating.

"I have a strong opinion that they're close to moving the exchange rate," O'Neill told Bloomberg in a telephone interview on 12 February. "Something's brewing. It could happen anytime."

ICTSD reporting.

Indian Official says Trade and Environment Should Not Mix

India's chief WTO negotiator has spoken out against the possibility of bringing border carbon adjustments (BCAs) into trade talks at the WTO. Without providing specifics, Rahul Khullar, India's commerce secretary, said that some countries are trying to bring environmental issues through a "back door" into multilateral trade talks and that India is against such a move.

BCAs are unilateral measures that a state imposes when a good is imported from an industry or firm in a country that has not 'comparably offset' the greenhouse gas emissions associated with the good's production. The BCA could be a flat tariff, a tax, or a requirement for the importer to purchase carbon credits that would compensate the country with more stringent regulations for the loss of competitiveness that it incurs because of its emissions standards.

While there is currently no legislation in place that would impose a tax or tariff on exports from countries with more lax environmental standards, the idea has been floated by the EU and the US, among others, as a means to prevent 'carbon leakage' - the movement of industry overseas to avoid strict emissions standards in a given country.

New issues need further debate: Khullar

Speaking at the release of a new information package on the issue on 18 February in New Delhi, Khullar said that the imposition of BCAs was inevitable. "It is not possible to pretend any longer that this is not going to happen," he told reporters.

The secretary said he believes that BCAs will be a reality in two to three years' time. He added that a new publication on the measures published by the Centre for WTO Studies - a research body under the Indian Ministry of Commerce - is intended to stimulate "intellectual debates" on whether the proposed environmental laws would be WTO compatible.

Khullar stressed that India is opposed to the inclusion of environmental issues in trade liberalisation negotiations, adding that the WTO is not the proper venue for such talks. "There are other forums for framing global environmental laws," he said.

Certain environmental issues have long been discussed at the WTO. Some, such as the liberalisation of trade in environmental goods and services, have even been the subject of formal negotiations at the body's Committee on Trade and Environment (see related article, this issue). However, Khullar says there are new issues emerging - such as BCAs - that are not being subject to proper international debate.

Despite Khullar's objections to the mixture of trade and environment, the two issues have collided frequently in recent weeks. In fact, Brussels has suggested that environmental issues be included in the ongoing bilateral trade talks between the EU and India and trade issues such as BCAs featured prominently at last December's UN Climate Conference in Copenhagen, Denmark.

While developed economies - including the US and the EU - are now contemplating how or whether these measures should be implemented, developing countries - especially India and China - say they are concerned that the measures could be used primarily to protect local markets,

particularly given the continued slump in the global economy.

Report is a “starting point” for discussions

Khullar called the Centre for WTO Studies’ publication a “starting point” for discussion on the issue. The secretary said that because the WTO has been unclear on how it stands on the issue thus far, India should be prepared once the need arises.

The report, entitled “Frequently Asked Questions: WTO Compatibility of Border Trade Measures for Environmental Protection,” outlines key issues regarding the WTO compatibility of BCAs and suggests the possible effects such measures would have on India and global trade relations in general.

The report outlines the various forms under which environmental taxes can be levied and the various ways in which they could be challenged at the WTO. It concludes that if proposed BCA measures fail to address the specific development conditions in developing countries and efforts made towards adopting nationally appropriate mitigation actions (NAMAs), the taxes are likely to be considered “arbitrary or unjustifiable discrimination.”

While India refrained from making any binding commitments at Copenhagen, it agreed to voluntarily bring down its carbon intensity – carbon dioxide emissions per each unit of economic output – by 20 to 25 percent by 2020.

Publication warns of “impending trade war”

The report suggests that several Indian products - including iron, steel, aluminium, pulp and paper products, cement, glass and chemicals - would immediately suffer if BCAs were implemented. It goes on to say that India and other developing countries will undoubtedly challenge the true impetus behind the measures.

“Such measures imposing restrictions on imports on the grounds of providing a ‘level playing field’, or maintaining the ‘competitiveness’ of the domestic industry, etc are likely to be viewed as mere protectionist measures by the developed world to block the exports of the poorer nations,”

the report reads. “This is because there is little empirical evidence that companies relocate to take advantage of lax pollution controls.”

The information package argues that such unilateral trade measures will inevitably lead to tit-for-tat trade retaliation that could spiral into an all-out trade war. Such warnings have also been raised by China and several think tanks following the issue.

Speaking at the official release, Khullar was careful to clarify that the report did not represent official government policy, but was rather meant to act as a “pre-emptive strike” against mixing trade and non-trade issues at the WTO. “The idea is to make everybody understand what the issues are in simple terms and generate a debate,” he said.

Khullar said that if BCAs were to be discussed at the WTO, he did not believe they would be included in the protracted Doha Round of negotiations.

ICTSD reporting; “Clubbing environment with trade wrong,” REDIFF BUSINESS, 18 February 2010; “India gets ready to confront EU on ‘impending’ carbon tax,” THE ECONOMIC TIMES, 19 February 2010.

De Boer to Step Down as UNFCCC Chief

Yvo de Boer announced his intention to resign from his position as Executive Secretary of the UN Framework Convention on Climate Change (UNFCCC) last Thursday. His resignation will take effect on 1 July.

After leaving the UNFCCC, de Boer says he will continue working in his area of expertise, joining the Swiss consultancy group KPMG as Global Advisor on Climate and Sustainability. The role is not currently defined, but he is expected to primarily act as an advisor to industry on how to react to existing and emerging climate policies.

“It was a difficult decision for me to make, but I believe the time is ripe for me to take on a new

challenge, working on climate and sustainability with the private sector and academia,” said de Boer in a press release.

Much speculation on timing of resignation

De Boer said that his disappointment in the outcome of the Copenhagen negotiations was not the reason for his resignation and that he believes significant progress has been made. “While Copenhagen did not deliver entirely the outcome we had all hoped for, I do believe it has laid the foundations for a truly global response,” de Boer wrote in his official letter of resignation.

However, de Boer has been open about his frustrations with the progress of the climate talks in the past and some observers have speculated that the shortcomings of Copenhagen did, in fact, play a prominent role in his decision to step down. In a post-Copenhagen interview with the Associated Press, de Boer conceded that he thought climate talks should be conducted differently, calling the current method of formal negotiations between thousands of delegates “very much a stop-and-start affair.”

In his remaining time at the UNFCCC, de Boer will assist in advancing negotiations for November’s Climate Change Conference in Cancún, Mexico. Some observers have raised fears that the loss of de Boer’s abilities and expertise will slow progress towards a successful outcome of the negotiations.

However, de Boer and others expressed hope that his successor would provide fresh energy to the negotiations, although de Boer was hesitant to express hopes that a successful agreement will be reached in Cancún, calling it a “very heavy lift.”

At this point, there is no clear successor to de Boer’s position. There are rumours that Marthinus van Schalkwyk -- South Africa’s former minister of environment and current tourism minister, who was quite active in the creation of the Bali Action Plan -- has been approached.

Observers say that regardless of whether van Schalkwyk is passed the baton when de Boer steps down, the post is likely to be filled by someone

from a developing country. (De Boer is from the Netherlands.)

Yet another jolt for climate community

De Boer’s announcement comes as the UN’s Intergovernmental Panel on Climate Change (IPCC) is still reeling from scandal that has shaken public confidence in the organisation’s scientists. The scandal, dubbed ‘climategate’ by the media, emerged after emails containing private discussions between climate scientists were stolen from a backup computer server used by the University of East Anglia.

The emails suggested that some IPCC scientists ignored certain data that ran counter to the Panel’s position when compiling a 2007 report. Climate sceptics have been quick to present the emails as proof the science of climate change is inherently flawed.

At a 19 February meeting of the American Association for the Advancement Science, a panel of top US and European scientists reaffirmed the overwhelming consensus of the scientific community that the Earth is warming as a result human activities. However, the panel acknowledged that their colleagues failed to react quickly enough when presented with news of an error in such a significant report.

De Boer was appointed as UNFCCC Executive Secretary by UN Secretary-General Kofi Annan on 10 August 2006. Before coming to the UN, he worked as deputy director general of the environment ministry of the Netherlands.

More information

The UNFCCC press release on de Boer’s resignation can be accessed here: http://unfccc.int/files/press/news_room/press_releases_and_advisories/application/pdf/pr_20100218_ydboer.pdf

ICTSD reporting; “Top U.N. Climate Official Resigns,” NEW YORK TIMES, 18 February 2010; “Departing climate chief pessimistic on Cancún,” FINANCIAL TIMES, 19 February 2010.

IN BRIEF

UNFCCC Announces Climate Talks Schedule for 2010

The secretariat of the UN climate convention announced on Tuesday that the next round of formal talks will be held from 9 to 11 April in Bonn, Germany. Yvo de Boer, Executive Secretary of the UN Framework Convention on Climate Change (UNFCCC), described the move as “a quick return to the negotiations.”

“The decision to intensify the negotiating schedule underlines the commitment by governments to move the negotiations forward towards success in Cancun,” de Boer said, referring to the end-of-year meeting at which countries will try again to hammer out a legally binding deal to reduce global emissions of climate-warming gases.

The newly announced April gathering is in addition to the annual June meetings of the convention’s subsidiary bodies, which are responsible for technical, scientific and implementation-related negotiations under the climate convention. Before Tuesday’s announcement, the subsidiary body meetings, which will also be held in Bonn, had been the only opportunity for formal negotiations before ministers gather in Cancun from 29 November to 10 December.

The announcement of the April meeting validates calls from the many developing countries that have stressed that the climate negotiations must continue on two fronts – in discussions for a second commitment period under the Kyoto Protocol, as well as discussions under the Working Group on Long-Term Cooperative Action to carry forward the so-called ‘Bali Action Plan’, a roadmap set out by ministers at the Conference of the Parties in Copenhagen in December 2008 that is geared towards developing a new global deal to address climate change.

Negotiations have been underway for nearly three years on the details of a second phase for the Kyoto Protocol, but many rich countries want to abandon the 12-year-old deal and negotiate a new

agreement. Meanwhile, developing countries have refused to let go of the Protocol, even as they admit that it is an insufficient tool for addressing climate change. From their perspective, it is their only guarantee of binding emissions cuts from the developed world.

The meetings announced for April and June will continue the negotiations on both tracks.

ICTSD reporting.

British Minister Wants EU-India FTA Finalised This Year

British International Development Minister Gareth Thomas exhorted the European Union and India to finish negotiations on a long-delayed free trade agreement (FTA) by the end of 2010 at a meeting in Brussels on Monday.

Britain is pushing for a swift conclusion to the negotiations begun in 2007 because it claims the delay is slowing trade and employment in both countries. Several weeks ago, British Business Secretary Peter Mandelson likewise advised the Indian Commerce Minister Anand Sharma that India must focus on rapid completion of the agreement.

“The negotiations are progressing very slowly, and I would urge all those round the table to do everything in their power to ensure that discussion in 2010 do not get stuck in the weeds as we pursue a positive outcome,” Thomas said in Brussels.

The negotiations have gone through eight rounds of negotiations so far, the most recent taking place in Mumbai at the beginning of February.

The free movement of workers is a particularly contentious issue. The Indian government has protested how difficult it is for its workers, including those with professional experience, to emigrate to the EU. India has demanded that EU borders be opened to skilled IT workers, offering in return a similar arrangement for EU legal professionals to work in India.

With the WTO's Doha trade talks stuck in neutral, the United Kingdom sees an EU-India free trade agreement as an alternative way to encourage trade liberalisation. "In lieu of a final agreement on the Doha trade round, it is important to have an agreement in place that protects jobs by creating more opportunities for increased trade," Thomas said.

The EU has been advocating the 2010 deadline for some time. Last March, the European Parliament's Trade Committee issued a report expressing disappointment with the slow pace of negotiations and emphasising the importance of finalising the agreement by 2010. Catherine Ashton, former EU Trade Commissioner and now the bloc's top foreign affairs representative, has kept the India talks high on her list of priorities.

The EU is India's largest trading partner, accounting for 18.7 percent of India's exports. Trade between India and the EU is worth more than €55 billion each year to the 27-nation EU.

British interest in the agreement is especially keen as 17.7 percent of Indian exports are destined for the UK.

"The benefits of an EU-India trade deal would be felt by businesses on both sides," said Thomas. "This in turn will benefit millions of people whose employment relies on the import and export trade."

However, criticisms of the potential effect of the trade deal on India have been raised. In a column the Guardian in November, journalist David Cronin condemned the EU for trying to force India to cede control of its banking sector and to accept overly stringent intellectual property standards.

"India's poor have every right to be incensed at how their government is being pushed into signing trade agreements that are inimical to their interests," wrote Cronin.

Some have also criticised the EU for allegedly having secret discussions with BusinessEurope, a group representing some of the world's largest corporations, in preparation for pressuring India

into dropping all domestic industry protection measures. However, European Commission spokesman John Clancy rejected these claims, saying that BusinessEurope had been given no "privileged treatment."

ICTSD reporting; "UK wants India-EU trade deal by 2010 to protect jobs, increase trade," TIMES OF INDIA, 23 February 2010, "With jobs at stake, Britain wants India-EU trade deal by 2010," CALCUTTA TUBE, 23 February 2010; "EU tramples on India's poor," GUARDIAN, 6 November 2009; "EU pushes to prise open India," ASIA TIMES, 12 February 2010.

VACANCY

Position open immediately to support work of WTO mission in Geneva. Fluent Arabic and experience in WTO affairs required, preferably with background in NAMA and/or services. Please send CV to daniel.crosby@budin.ch.

EVENTS & RESOURCES

Events

Coming up this week

24-26 February, Bali, Indonesia. ELEVENTH SPECIAL SESSION OF THE UNEP GOVERNING COUNCIL/GLOBAL MINISTERIAL ENVIRONMENT FORUM. The Governing Council constitutes the annual ministerial-level global environmental forum in which participants gather to review important and emerging policy issues in the field of the environment. The largest global environmental gathering since Copenhagen, the forum will be attended by environment ministers from over 100 countries, civil society representatives, heads of UN agencies, scientists and environmental experts. The Ex/COP for the Stockholm, Rotterdam and Basel Conventions is expected to convene immediately prior to this meeting. For more information, visit <http://www.unep.org/gc/gcss-xi/> or contact Mr. Jamil Ahmad: tel: +254 (0)20 7623431/7623411;

fax: +254 (0)20 7623929/7623748; email: unep.gcss-xi@unep.org.

25 February, Jakarta, Indonesia. **TRADE KNOWLEDGE NETWORK (TKN) SOUTHEAST ASIA'S RESEARCH WORKSHOP ON TRADE, ENVIRONMENT & FOOD SECURITY.** This research workshop is intended to serve as a discussion forum enabling TKN Southeast Asia to gather input from relevant policy-makers and other stakeholders in the region. The event is expected to involve relevant ASEAN-related bodies, its member government representatives in Jakarta, the Association's dialogue partners, international organisations, industries, professional experts, and non-governmental organisations. For more information, please contact the TKN Southeast Asia Coordinator at: achandra@iisd.org.

25-26 February, Paris, France. **OECD AGRICULTURE MINISTERIAL MEETING.** In the coming decades, the global food and agriculture system will have to sustainably provide for billions more people and meet greater demands on quality, affordability and availability. Farming will be competing with other sectors for land, water and investment while climate change adds a new unknown to the equation. Agricultural ministers from OECD member countries and key emerging economies will meet to identify action that best responds to the needs of a rapidly changing world. A press conference will be held Friday at 15:30. For more information, please visit http://www.oecd.org/site/0,3407,en_21571361_4_3893445_1_1_1_1,00.html.

1-2 March, London, UK. **POWERING THE LOW CARBON ECONOMY: ELECTRICITY'S ROLE IN DECARBONISING ENERGY USE.** The conference, hosted by Chatham House, aims to examine how governments and businesses will respond to continued policy uncertainty, post-Copenhagen. In order to achieve significant emissions cuts, a rapid transformation in the way that power is used, generated and managed is required. This conference will discuss the future of energy use and the changing role that electricity will have in creating a low carbon future, focusing on prospects for energy sector investments, new technologies, global constraints and necessary changes in policy and practice. For more

information or to register, please see <http://www.chathamhouse.org.uk/power2010/>.

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.

2-3 March: Council for Trade-Related Aspects of Intellectual Property Rights

4 March: WTO Introduction Day

4 March: Council for Trade-Related Aspects of Intellectual Property Rights – Special Session

Other upcoming events

15-17 March, Amsterdam, Netherlands. **WORLD BIOFUELS MARKETS.** Over 230 leaders of the biofuels industry will share their expertise on all aspects of the biofuels value chain during three days of interactive conference sessions. In addition, time will be provided for networking. Sessions will be held on: Biofuels and Developing Countries; Biofuels Standards; Biofuels, Downstream and Trading; and Biofuels Adoption, among other topics. Keynote speakers will include Gro Harlem Brundtland, former Prime Minister of Norway and UN Special Envoy for Climate Change; Philip New, CEO of BP Biofuels; and Nobua Tanuko, Executive Director of the International Energy Agency. For more information, please see <http://www.worldbiofuelsmarkets.com/index.html>.

18 March, London, UK. **GLOBAL FINANCIAL SERVICES: THE IMPACT OF REGULATION ON COMPETITIVENESS.** As the global financial crisis shows early signs of receding, this is a key moment to ask what will be the likely

future shape and structure of financial services firms. If moves to regulate the industry more tightly are successful, what impact will this have on financial firms' ability to do business? At this event sponsored by Chatham House, policymakers and financial services industry leaders from the major economies will discuss the role, structure and regulation of the financial services industry, and which forums, mechanisms and institutions will be effective in restoring confidence in its activities. For more information, please

see <http://www.chathamhouse.org.uk/gfs/>.

26 April, New York City, US. GLOBAL FINANCIAL FORUM: BUILDING A NEW FINANCIAL ORDER. Hosted by Chatham House, BritishAmerican Business and the Foreign Policy Association, this forum examines what is necessary to create a new, more stable global financial order. This conference will examine the impact of the proposed regulatory measures on the financial markets, consider the outlook for the global economy, discuss if new financial regulatory rules will contain excessive risk-taking, and debate the extent to which it is possible to prevent future financial crises. The conference will take place in three sessions: Rebalancing the Global Economy, Restructuring the Financial Sector, and Restoring Financial Stability. For more information, please see <http://www.chathamhouse.org.uk/NY2010/> or contact Chatham House at: email conferences@chathamhouse.org.uk; tel. +44 (0)20 7957 5753; or fax +44 (0)20 7321 2045.

Resources

RETHINKING FOREIGN INVESTMENT FOR SUSTAINABLE DEVELOPMENT: LESSONS FROM LATIN AMERICA. Edited by Kevin P. Gallagher and Daniel Chudnovsky. Anthem Press, 2009. This series of essays critiques foreign direct investment in Latin America, analyses the Latin American backlash against "Washington Consensus" policies, and draws lessons from Latin America that can be applied to foreign direct investment more generally. Many newly elected Latin American governments are beginning to scrutinise the role of foreign direct investment (FDI) in particular, and some nations

have gone so far as to nationalise foreign firms. Without endorsing or condoning the actions taken by these governments, this volume demonstrates that it is quite rational for governments in the region to re-evaluate the role of FDI for their development paths. Consisting of country case studies and comparative analyses from Latin American and US-based political economists, this volume concludes that when FDI did materialise, it often fell far short of generating the necessary linkages required to make FDI work for sustainable economic development. This publication can be accessed here: <http://www.ase.tufts.edu/gdae/Pubs/rp/RethinkForInv.html>.

DEVELOPMENT, TRADE AND CARBON REDUCTION: DESIGNING COEXISTENCE TO PROMOTE DEVELOPMENT. By Jodie Keane, James MacGregor, Sheila Page, Leo Peskett and Vera Thorstensen. Overseas Development Institute, February 2010. The impact of climate change will impose new costs on developing country exporters, especially if markets do not work correctly and international agreements are not well designed. If the costs of carbon emissions are priced correctly, then markets could ensure that emissions are reduced in the most efficient ways. Internationally agreed and administered rules are needed for both trade and climate change, as the actions of one country can damage the interests of others and because coordinated action can improve the outcomes for all. These papers explore three ways of helping developing countries and the international system deal with the new problems: aid to meet the additional costs, new markets in carbon reduction commitments, and reconciling the differences between the world trading system and the international conventions on climate change. This working paper can be found at: <http://www.odi.org.uk/resources/details.asp?id=4745&title=development-trade-carbon-reduction-developing-countries>.

RECONCILING CLIMATE CHANGE AND TRADE POLICY. By Aaditya Mattoo, Arvind Subramanian, Dominique van der Mensbrugghe, and Jianwu He. Peterson Institute for International Economics, December 2009. There is growing clamour in industrial countries for additional border taxes on imports from countries

with lower carbon prices. While this working paper confirms the findings of other research that unilateral emissions cuts by industrial countries will have minimal carbon leakage effects, output and exports of energy-intensive manufactures are projected to decline, potentially creating pressure for trade action. A key factor affecting the impact of any border taxes is whether they are based on the carbon content of either imports or domestic production. The paper's quantitative estimates suggest that basing border taxes on merchandise imports would address competitiveness and environmental concerns in high income countries, but serious consequences for trading partners would exist. Border tax adjustment based on the carbon content in domestic production would broadly address the competitiveness concerns of producers in high income countries and less seriously damage developing country trade. This working paper can be viewed at <http://www.iie.com/publications/interstitial.cfm?ResearchID=1449>.

NEW CHALLENGES, NEW BEGINNINGS: NEXT STEPS IN EUROPEAN DEVELOPMENT COOPERATION. European Think-Tanks Group, February 2010. This report published by four European think tanks aims to present a comprehensive analysis of the current state of European co-operation, the key challenges faced and several practical recommendations for moving forward with Europe's international engagement. It calls for better co-operation between member states, improved partnerships with developing countries, better policy coordination, more effective aid policy and new thinking about development co-operation. While the report addresses its recommendations directly to the forthcoming new College of European Commissioners, it aims to provide useful analysis and proposals for a wider variety of stakeholders, including EU Member States' officials, Members of the European Parliament, NGOs and developing country representatives. This report can be accessed at <http://www.ecdpm-talkingpoints.org/european-development-cooperation%E2%80%93new-challenges-new-beginnings/>.