



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

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LEAD STORIES

Agricultural Export Restrictions Spark Controversy at the WTO

With food prices at record highs, WTO rules should be changed to prevent countries from restricting agricultural exports if doing so could threaten the food security of others, a group of poor countries that are net importers of food have argued.

Export bans and restrictions introduced by other WTO members would be forbidden in the case of exports to net food importing developing countries (NFIDCs) or to least-developed countries, under the terms of a new proposal presented by the NFIDC group at a meeting of the world trade body's agriculture negotiating committee on Monday.

Currently, WTO rules allow countries to apply export restrictions under the condition that these are "temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party." However, in order to keep domestic prices under control, a number of major food producing nations have repeatedly imposed export restrictions in the face of rising international commodity prices -- an unpredictable policy that analysts blame for exacerbating price spikes.

Notably, the NFIDC proposal was submitted as part of the broader Doha Round negotiations at the WTO. A detailed proposal to ban agricultural export restrictions represents something of a novel step in the long-struggling trade talks. While the negotiating mandate specifically mentioned improved market access and reductions to export subsidies and trade-distorting domestic support, it did not explicitly refer to export restrictions -- simply mentioning a goal of "correct[ing] and

prevent[ing] restrictions and distortions in world agricultural markets.”

The provisions on export restrictions in the most recent draft negotiating text, which dates back to December 2008, relate primarily to requirements for consulting with affected countries, notifying and reporting on export restrictions.

Food security threatened, argue importers

“Export restrictions play a major role in fueling soaring international food prices”, the proposal claimed, noting that higher prices of cereals, meat and dairy products had driven a UN food price index to a record high in February this year. The food price increases “aggravate poverty levels and seriously threaten NFIDCs’ food security”, the submission said.

The sponsors also proposed exempting UN humanitarian aid from export prohibitions and restrictions – an idea which has increasingly gained currency in recent months.

The proposal, introduced by Egypt, was broadly welcomed by other WTO members – although some, such as Australia, Brazil and the US, called for export restrictions to be seen as part of a more holistic appraisal of global trade rules.

Developed country importers such as Japan and Switzerland expressed sympathy for the initiative, and said they would look in more detail at the proposal, which highlights the importance of treating developing countries differently.

The Philippines, which is not a member of the NFIDC or LDC groups, said that its citizens had also been hurt by export restrictions, and suggested that the proposal’s coverage could be expanded to include other developing countries.

Grain export restrictions trigger controversy

Export restrictions also featured prominently during a meeting of the WTO’s ‘regular’, or non-negotiating agriculture committee meeting last Thursday. The EU, the US and Japan were among countries that criticised moves by the Ukraine and three other countries to impose export restrictions on wheat, other grains and animal fodder.

With Ukrainian export quotas now due to be extended until July, and other restrictions on exports being notified by the Kyrgyz Republic, Moldova and Macedonia, trading partners warned that the measures announced could hurt producers at home and consumers abroad. Switzerland and Israel also criticised the measures, and asked what had been done to ensure that importing countries’ concerns had been taken into account.

Russian and Ukrainian export restrictions have been widely seen as a factor in exacerbating global shortages of key agricultural products in 2010.

Countries confirmed that they had imposed export restrictions on a number of products: wheat and meslin in the case of Macedonia; wheat and meslin in Moldova; hay and fodder in the Kyrgyz Republic and grains in Ukraine. They claimed that the measures would not harm importing countries for a variety of reasons -- some noted that they were net importers of the commodities in question, others said their exports were insignificant on the world market.

G-20: export restrictions on the agenda

The G-20 group of major global economies, under the presidency of France, has prioritised the issue of food price volatility, and is expected to consider whether action can be taken on export restrictions when the group’s agriculture ministers meet in June.

A leaked draft report to the G-20 that was authored by various international agencies recommends developing “an operational definition of the food price or food shortage situation that would justify consideration of an export restricting measure.” It goes on to propose that export bans be defined “as a time-limited measure of last resort, allowed only when other measures, including triggering domestic safety net measures for the poorest, have been exhausted.”

The report, which was discussed in Paris at the end of March by the agriculture ministers’ deputies, also proposes allowing humanitarian food purchases to be exempted from export restrictions.

Doha in trouble

In Geneva, delegates questioned how the NFIDC proposal would fare, given the turbulent atmosphere in the troubled Doha talks.

The chair of the WTO's agriculture negotiations, New Zealand Ambassador David Walker, is now widely expected to deliver a 'report' when an Easter target date is reached – rather than a revised draft negotiating text, as WTO Director-General Pascal Lamy had earlier urged.

As Walker began a series of consultations with trade negotiators that is due to run through until 15 April, negotiators told Bridges that they were pessimistic about how much could be achieved, given the impasse in talks between major trading powers.

Some delegates seem now to be looking to Lamy to rescue the faltering talks, as despondency grows over their future direction. The director-general is expected to hold a series of individual discussions with senior trade officials – known as 'confessionals' – to try to gauge in the next few days whether there is any scope for progress in the talks.

Reporting on a negotiating meeting this week, one delegate euphemistically observed that "There was not a great level of buoyancy in the discussions."

More bluntly, another stated that "Doha is already dead – unless heads of state resurrect it". An OECD summit in Paris at the end of May could provide one chance to do so, the source suggested.

ICTSD reporting.

WTO Fisheries Chair Pauses for Reflection on Draft Text

With less than three weeks remaining before a target date for the chairs of WTO negotiating committees to submit revised draft agreement texts in the Doha Round trade talks, a session of the Negotiating Group on Rules witnessed strong

statements on the need for disciplines on government support to the fisheries sector, as well as a new submission on developing countries' interests.

At a 1 April informal meeting of the group, the chair, Ambassador Dennis Francis of Trinidad and Tobago, outlined the "incremental" progress made in several informal plurilateral sessions on fisheries subsidies he had conducted during the preceding week. The sessions focused on general disciplines, notification and surveillance, dispute settlement, transitional provisions, and special and differential treatment for developing countries (S&DT). Additionally, the "friends of the chair" – individuals who have been appointed to work on the issues of reciprocal and shared access, fisheries management, and assignment of fishing rights – as well as "contact groups" working on fuel subsidies, income support, and artisanal and small-scale fishing also presented and discussed their final reports.

Francis said that the ability to move forward on fisheries subsidies disciplines depends greatly on progress in the overall Doha Round negotiations, which have been stalling as the Easter target for revised texts approaches. Noting that he may nevertheless be called upon to provide a text by Easter, the chair said he needed a period for reflection on possible avenues that could bridge differences. Francis said he would not be calling any more meetings in April nor would he accept any bilateral meetings on anti-dumping, subsidies, and fisheries subsidies after this week.

Diverse group calls for urgent action

Speaking on behalf of Argentina, Australia, Chile, Iceland, New Zealand, Norway and the US, Ambassador David Walker of New Zealand said the so-called "friends of fish" expect ambitious rules limiting fisheries subsidy payments to be a key result of the rules negotiations. He said members should not let lack of progress in other parts of the Round deter them from pushing ahead on the issue. Walker pointed to the recently released FAO report "The State of World Fisheries and Aquaculture 2010," which states that 85 percent of global fish stocks are either fully or over exploited, and said the issue is simply too important.

“The WTO’s credibility on trade and environment issues is at stake here,” Walker said. “A weak outcome calls into question the future ability of the WTO to tackle other trade and environment issues of global importance.”

The group’s statement called for a strong prohibition and strong disciplines on fisheries subsidies, after weeks of attempts by countries such as China, Brazil, Korea, and Japan to introduce various exceptions. Walker also said the group endorses the architecture of [the previous chair’s 2007 text](#).

Environmental organisations applauded the initiative by the friends of fish. “Today’s call clearly demonstrates that there is strong commitment for fisheries subsidies rules that serve global interests and not only protect narrow self concerns,” said Courtney Sakai, senior campaign director for the Washington-based green group Oceana. “The WTO has a real and tangible opportunity to reduce global overfishing. The question is if it will seize this chance.”

Developing country concerns highlighted

In a suggestion on how to move forward, Chilean Ambassador Mario Matus said that members should first agree on a general prohibition and then discuss possible exceptions afterwards.

Marion Vernese Williams of Barbados countered that small and vulnerable coastal states that are not responsible for overfishing should be allowed to support their nascent fishing industries. She said because small island countries have no hinterlands and depend only on their fish resources, blocking support for their fishing-dependent communities would be a travesty in a development-focussed Round.

Miguel Carbo Benites of Ecuador said that his country’s joint proposal with Egypt underlines the crucial need for technical assistance in the fisheries sector. Egypt said that assistance should cover stock assessment, fisheries management, and fulfilling notification requirements. The submission found support from fisheries subsidy watchers who say it contains recommendations that most developing countries have sought for

some time. Environment group WWF, which follows the Doha Round fisheries subsidies talks closely, said the proposal “gets the WTO in the right direction” and is a concrete way of ensuring relevant institutions are able to work together.

Brazil said that fisheries subsidies contribute to overcapacity and overfishing. It supported a broad prohibition of fisheries subsidies with S&DT for developing countries. It said that policy space for developing countries should not be a blank cheque, but at the same time should ensure that developing countries can support the construction of fishing fleets. It said that the new agreement should deal with asymmetries between developed and developing countries in this sector. Mexico also supported a broad prohibition with S&DT.

With the Easter deadline approaching quickly, some observers have said that resolving the fisheries subsidies issue, one of the few areas to see progress in recent years, is crucial to legitimising the efficacy of the WTO.

“The WTO is actually being tested as to whether it can deal with some of these other global issues to the extent that trade measures are involved,” Peter Allgeier, a former deputy US trade representative who is now an adviser to Oceana, told Bridges Trade BioRes. “Certainly fisheries subsidies are a classic trade measure and they are probably the most damaging thing to the oceans in terms of how the various fishing industries operate these days.”

ICTSD reporting.

OTHER NEWS

As EU Trade Plan for Pakistan Hits Roadblock, Critics Ask: Was WTO Waiver Necessary?

An EU attempt to help Pakistan’s economy recover from devastating floods last year by granting it tariff preferences for some textile exports has hit a roadblock, with India, Bangladesh, and Peru withholding consent from a WTO waiver authorising Brussels to deviate from

multilateral rules to discriminate in favour of Pakistan.

The proposed initiative dates back to September of last year, when EU member states agreed in principle to temporarily remove tariffs on key Pakistani exports on a non-MFN basis (in other words, other comparable WTO members would not benefit from the lowered duties). The European Commission came up with a list of 75 tariff lines – mostly textiles – to receive the preferential access, keeping an eye on import-competing industry in the EU, effects on least-developed country export prospects, and potential opposition from other developing countries. The scope and duration of the prospective tariff cuts were whittled down in the face of opposition from import-sensitive EU member states, which met with disappointment in Pakistan. But winning consent from all WTO members to authorise the EU to provide Pakistan with market access on a non-MFN basis has thus far proved an insuperable obstacle. WTO rules require a government seeking to deviate from the ‘most favoured nation’ obligation – the obligation to treat countries equally – to secure a waiver from all members.

At a meeting last month of the WTO Council for Trade in Goods, India, Bangladesh, and Peru said they were still consulting on the matter with the EU. Vietnam is also believed to be in talks with the EU on the waiver. The EU delegate told the meeting that while the discussions were helping to ease some concerns, delaying too long would defeat the purpose of the proposed tariff cuts, that is, to provide immediate help to Pakistan’s economy. According to the EU, a May meeting of the General Council, the WTO’s top permanent decision-making body, presents that last real opportunity to resolve the issue.

Outside the WTO, words have been blunter. India’s commerce ministry has said that the EU proposal would help Pakistan’s textile industry, not flood victims, according to a report in the Economic Times last week. A ministry official told the Indian newspaper that New Delhi had suggested to the EU that “if they want to help they could do it in other ways, including giving direct cash aid to Pakistan.” India, like Bangladesh,

fears that the trade concessions could cost their own textiles industries market share in the EU.

Pakistani officials, for their part, say that New Delhi’s objections are political rather than economic, arguing that the package of trade concessions is too small to matter to India’s overall economic interests. The issue has been raised in bilateral talks involving trade officials from the two countries, reports The News, a Pakistani newspaper.

Fmr Pak WTO envoy: EU could have avoided waiver by expanding GSP-plus

According to Manzoor Ahmad, a former Pakistani ambassador to the WTO, the EU never needed to enter into the politically fraught quest for a waiver: in order to grant Pakistan significantly improved market access, Brussels could simply have made a small adjustment to the eligibility criteria for its ‘GSP-plus’ trade preference programme. Currently, countries cannot benefit from this scheme, which goes beyond the EU’s standard Generalised System of Preferences, if they account for over 1 percent of the EU’s total GSP-related imports. Pakistan, says Ahmad, accounts for only a fraction above this threshold; by lifting the threshold, say to 1.5 percent, the EU could have given Pakistani textile exporters substantially improved market access without running into complications at the WTO.

Pakistan had been seeking inclusion in the EU’s GSP-plus scheme even before last year’s floods, Ahmad said. The country easily met the EU’s criteria for economic vulnerability resulting from a relatively undiversified export basket, and had been in the process of ratifying the international conventions that were the other requirements for GSP-plus qualification.

Asked whether the European Commission was contemplating changes to its GSP-plus qualification threshold that would enable Pakistan to qualify, John Clancy, the Commission’s trade spokesperson, said that “the European parliament recently granted a GSP ‘roll-over’ meaning that the current GSP structure will be valid until 31st December 2013.” He said that a proposal for revising the GSP was currently being developed,

and could be tabled for discussion later this spring.

Ahmad, the former Pakistani WTO ambassador, said that the policy course ultimately chosen by the EU had much to do with the bloc's internal politics. The non-MFN tariff initiative was an idea that came from the EU's external relations directorate, he suggested; the trade directorate was lukewarm about it from the start, and would have preferred giving Pakistan more money instead.

In any case, Ahmad noted, the EU was hardly doing everything it could to smooth the path of imports from Pakistan: since mid-2010, the EU has levied countervailing duties of over 5 percent on Pakistani polyethylene terephthalate (PET), a material used in plastic bottles, to offset harm to EU producers resulting from what Brussels alleges are bond and export financing policies that are tantamount to a subsidy. Interim duties introduced in June 2010 amounted to 9.7 percent; in September, which was after the floods in Pakistan, the Commission confirmed that the duties would remain in place for five years, albeit at a lower rate of 5.1 percent.

In the United States, a bill seeking to grant duty-free access to certain exports from designated areas in Afghanistan and Pakistan's border regions died in Congress at the end of last year, after it got bogged down in the Senate. That bill was unrelated to flood damage -- its goal was to discourage violent extremism by stimulating economic activity. Kim Elliott, a senior fellow with the Washington-based Centre for Global Development, said that there is apparently interest in reintroducing a similar bill in the new Congress, which took office in January.

An expert on trade preferences, Elliott authored a study that found that limiting duty-free access to a small number of products from the designated 'reconstruction opportunity zones' would limit their effectiveness. A more helpful approach, she says, would provide such access to goods from all of Pakistan, with any product caps limited to a small number of politically sensitive items. If the US ever managed to pass legislation granting non-MFN duty-free access to Pakistani products, it too would require a WTO waiver, Elliott noted.

ICTSD reporting; "India not ready to support trade sops for Pak textiles," ECONOMIC TIMES, 28 March 2011; "Iran, Pakistan, U.A.E. Face 5-Year EU Taxes on Bottle Material," BLOOMBERG, 27 September 2010; "Indian opposition to EU goodwill gesture irks Pakistan," THE NEWS, 24 March 2011.

WIPO Mulls Industrial Designs Treaty, Examines Internet Trademark Protection

Members of the World Intellectual Property Organization (WIPO) met in Geneva last week to discuss a potential treaty that would harmonise formalities surrounding the protection of industrial designs at the national and international levels. They also discussed trademark protection on the internet, particularly as it relates to intermediaries such as EBay, Google and social media sites, which are part of an industry that generates upwards of US\$200 billion in annual revenue and is used by hundreds of millions of people daily.

The WIPO Standing Committee on the Law of Trademarks, Industrial Designs, and Geographical Indications (SCT) concluded its twenty-fifth session with members considering the possibility of holding a diplomatic conference, the highest level of treaty negotiations at WIPO, to conclude an international agreement in the area of industrial designs.

As for trademarks and the internet, members endorsed a proposal to hold fact-based information sessions to better inform discussions before any further action.

Possible Industrial Designs Treaty

According to WIPO, industrial design denotes the aesthetic characteristics of an item, whether the features are three-dimensional, like shape, or two-dimensional, like patterns or colour. The concept applies to products like medical instruments, household appliances, and even textile designs.

Since 2009, the SCT has been discussing possible areas of convergence for industrial design law and practice in WIPO member states. In November

2010, it considered draft provisions dealing with industrial design registration formalities, such as paperwork requirements for detailed descriptions of the items and three-dimensional drawings, along with classification and nomenclature.

Last week's session saw some governments like the European Union eager to move discussions on industrial designs towards a diplomatic conference. Others countries, meanwhile, felt that was premature and requested more information. The SCT first advanced the notion of an international instrument for industrial designs at the WIPO General Assembly in September 2010. The European Union and the United Kingdom stated that they "considered the time to be ripe to bring the issue of designs to the forefront of public attention". Negotiations since have been moving slowly but steadily. At a press briefing last week, WIPO Director General Francis Gurry stated that such a treaty would harmonise industrial design registration formalities, making it easier for applicants to navigate different national systems.

There are already similar treaties for the harmonisation of formalities in the area of patents and trademarks, respectively the Patent Law Treaty (PLT) and the Singapore Treaty on the Law of Trademarks (TLT), he added.

Certain countries such as Japan and members of the Development Agenda Group (DAG) cautioned that more work is needed before a diplomatic conference on industrial designs can be convened. The DAG, which consists of around 20 developing country members like Brazil, Egypt, India, and Indonesia, aims to integrate development into WIPO's work. In their statement, they reminded the committee that any norm-setting process in WIPO "should be supportive of the development goals agreed within the United Nations system" and must "take into account different levels of development and a balance between costs and benefits," as mandated by Development Agenda recommendation 15.

In his summary of the proceedings, Chair Park Seong-Joon (Republic of Korea) stated that a diplomatic conference aimed at moving ahead with adoption of an industrial design treaty could be an option "once sufficient progress has been

made and the time [is] ripe for recommending the holding of such a diplomatic conference."

Trademarks and the Internet

The SCT also discussed legal issues relating to the use of trademarks on the internet, focusing their work on three types of internet intermediaries: auction sites such as Ebay, search engines such as Google, and social media sites such as Facebook and Twitter. The document prepared by the Secretariat noted that in some cases both intermediaries and users of services are liable for alleged trademark infringement, while in other situations, it has been argued that only internet intermediaries "should be held liable for acts of the users of their services allegedly constituting trademark infringement". Internet intermediaries are distinct from other websites because they serve as platforms for users to host and transmit content that may have been generated by third parties.

So far, according to the document, such 'secondary liability' has been the subject of contrasting legal rulings on whether the sites themselves are liable for trademark infringement committed by users of their services. EBay lost a lawsuit over counterfeit Moët Hennessy Louis Vuitton (LVMH) items in France, but won a similar lawsuit in the United States regarding counterfeit Tiffany jewelry.

Despite the objections of certain members such as Australia, the committee agreed to hold fact-based information sessions to better understand the interplay of trademark protection on the internet. SCT Members were invited to present proposals for an information meeting on liability of Internet intermediaries to the WIPO Secretariat before the end of the month of May 2011. The Secretariat was requested to compile all suggestions received and to present them to the twenty-sixth session of the SCT for consideration, scheduled for October. The chair highlighted the importance of listening to all relevant stakeholders and reaffirmed that these information meetings would host perspectives from academia, users, intermediaries, and governments alike.

The Computer & Communications Industry Association (CCIA) said in a statement that they

welcome the decision by the SCT to hold such a fact-based discussion, “and only afterwards discuss what, if anything, needs to be done beyond established legal norms and commercial practice in the protection of trademarks on the Internet.” CCIA’s Geneva representative, Nick Ashton-Hart, added that the services which the Secretariat implies need regulation are “used daily by hundreds of millions of people and generate hundreds of billions of dollars in economic activity... Any action which could impact the daily life of a sizable portion of the world’s population, as well as significant international trade, should be taken only with extreme care and only after impacts and unintended consequences are clearly understood.”

Members agreed to discuss rules for the information discussions at the next session of the SCT, tentatively scheduled for 24-28 October. If they manage to agree, the information meeting would likely take place during the twenty-seventh session of the SCT in 2012.

ICTSD reporting; “WIPO Assembly Considers Paths For Possible New Treaties”, IP WATCH, 30 September 2010; “Ebay Case: Tiffany Knocked Out Over Knock Offs”, JCK Online, 15 July 2008.

Bickering Marks Start of UN Climate Talks in Bangkok

This year’s round of UN climate negotiations got off to a slow start this week in Bangkok, as renewed bickering on old divisions marred governments’ attempt to build on the agreement reached last December at a meeting in Cancun.

At their annual conference in Cancun, parties to the UN Framework Convention on Climate Change had agreed to establish new institutions, instruments, and generally move forward collectively on reducing greenhouse gas emissions and helping countries adapt to climate change. The decision revived hopes for global cooperation on cutting emissions and helping countries adapt to climate change; consequently the re-emergence of divisions in Bangkok has been disappointing to many.

The session began with technical workshops on technology development and transfer, mitigation by developed countries, and mitigation by developing countries. The discussions were fruitful and considered useful contributions to the upcoming negotiations.

Difficulties began with the opening sessions of the two negotiating groups: one on the the Kyoto Protocol (KP), whose first commitment period expires at the end of 2012; and the other on and the process of Long-term Cooperative Action (LCA), which includes follow-up to the Cancun agreements.

The future of the Kyoto Protocol remains a critical issue: although some argue that the Cancun Agreements effectively killed the Protocol and paved the way for it to be replaced by a new set of agreements, many developing countries continue to call for a second commitment period for Kyoto. Either way, a crucial issue is the potential "gap" between the end of 2012 and when the next instrument or commitment period kicks in. This is particularly critical for a number of climate instruments developed under Kyoto, such as the Clean Development Mechanism, Joint Implementation, and the Emissions Trading Schemes upon which the current global carbon markets depend. In the working group's opening plenary Tuvalu, supported by a number of other countries, criticised the lack of political commitment among parties and argued that continuing negotiations was useless in its absence. Tuvalu asked all countries not politically committed to the Protocol to leave the room. (No one left.)

The talks on Long-term Cooperative Action (LCA) also stumbled off the starting block. Negotiations jammed on the adoption of the agenda, the traditional first item on the agenda for such meetings. The Group of 77 and China rejected the chair's proposed agenda as too long and deviating from the Bali Action Plan - the agreement that provided the mandate for this working group. The G77 and China proposed an alternative version, which received no support from the industrialized countries. The United States criticised the chair's agenda for leaving out a number of issues, such as the question of "monitoring, reporting and verifying" of

mitigation actions by developing countries. The chair finally adjourned the session, saying that he was not clear whether to put things into the agenda or take things out.

Early in the week, the UNFCCC executive secretary, Cristiana Figueres, told journalists that negotiations needed to move forward on both the Kyoto Protocol gap issue and the Cancun agreements in order to provide greater direction for this year's Conference of the Parties (COP) in Durban, South Africa.

A number of parties also raised a legal issue regarding the lack of consensus on the adoption of the Cancun decisions, when the meeting was closed despite explicit objections from Bolivia.

Many issues related to trade were dropped from consideration in Cancun last December in order to make an agreement possible. 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. References to the use of unilateral trade measures - often dubbed 'carbon tariffs' - were also dropped. At time of writing, neither issue has been discussed in Bangkok.

ICTSD reporting.

IN BRIEF

House Republicans' New Budget Proposal Would Cut Farm Subsidies

A US federal budget proposal unveiled Tuesday by House Republicans provides for deep cuts to taxes and to domestic spending - including, unusually, to farm subsidies.

The proposal put forward by the chairman of the House Budget Committee, Paul Ryan, a Republican from Wisconsin, would cut \$30 billion out of farm payments over a decade. The cuts

would represent 20 percent of projected farm spending based on Congressional Budget Office estimates, according to Reuters.

The new long-term budget plan stands in contrast to the House Republicans' February proposal, which would have done nothing to slash farm payments, although it would have reduced spending on some nutritional programmes, according to the Environmental Working Group, which monitors US farm spending.

Citing high farm prices that create an opportune moment for reform, Ryan's plan would reduce some of the \$5 billion-a-year in 'direct payments' made to farmers each year irrespective of current production, price, or need. While such payments are seen as having relatively mild distortionary effects on production and trade - and are thus exempt from cuts in the WTO's Doha Round of global trade talks - they have been a target for fiscal hawks and advocates of agricultural policy reform. The budget committee also proposed to "reform the open-ended nature of the government's support for crop insurance, so that agricultural producers assume the same kind of responsibility for managing risk that other businesses do." Nutrition programmes such as food stamps - which account for some of the US agriculture department's biggest outlays - would be cut by 20 percent; land conservation funding would be reduced by a quarter.

Ryan's plan, with its controversial cuts to social programmes such as medical care for seniors and the unemployment, is unlikely to receive the House, Senate, and presidential approval necessary to become law. Furthermore, any farm subsidy cuts would need to be written into a new US farm bill, due in 2012. The farm bill would be written in the House agriculture committee, where the pro-status quo farm lobby has traditionally been well represented. Frank Lucas, the Oklahoma Republican who currently chairs the committee, said that the Budget committee's ideas "are simply suggestions."

ICTSD reporting; "Cut farm subsidy, crop insurance by \$30 bln-US GOP," REUTERS, 5 April 2011.

EU Green Fuel Debate Back on Agenda: Hedegaard

European governments may soon resume discussions on a proposal to promote cleaner energy by blacklisting fuels whose production is especially polluting, says EU Climate Change Commissioner Connie Hedegaard.

According to the EU climate chief, default emission values for fuel derived from tar sands and oil shale will be peer reviewed and included in the proposal. The Commission intends to present a draft implementation measure for such values, which aim to meet the EU's fuel quality directive requiring oil companies in the EU market to reduce the greenhouse gas emissions of their fuels by 6 percent compared to 2010 levels in the next decade.

The issue has emerged as an irritant in trade relations between the EU and Canada, a major producer of oil trapped in sediment, which requires extra energy to extract. Canada has expressed opposition to the notion of ascribing tar sands production a greenhouse gas value of 107 grams per megajoule of fuel compared to an average of 87.1 grams for crude oil. It has gone so far as to suggest that doing so could constitute "unjustifiable discrimination" under WTO law, potentially disadvantaging Canadian oil products in the European market.

Canadian officials have denied rumours that they had threatened to scrap ongoing negotiations on a comprehensive free trade agreement with the EU if Brussels did not back down on the fuel regulations. Nevertheless, the Canadian press reported this week on a letter, dated 18 March, sent by the Canadian government to the EU commissioners for climate, energy, and trade, warning that the EU's ranking of fuels based on carbon intensity "raises the prospect of unjustified discrimination and is not supported by the science."

Canada believes that the EU is singling out Canadian tar sands production and ignoring other carbon-intensive fuels such as heavy oil from the Middle East and Nigeria. "Singling out oil sands crude creates an artificial and potentially

discriminatory regulatory distinction," said a note that accompanied the letter, reports Reuters. Canada does not export any tar sands oil to the EU. However, the oil industry is politically influential in Canada, and the 27-member bloc could be a potential market in the future.

European environmentalists have their own concerns about the prospective Canada-EU agreement: they fear that if the deal's provisions fail to establish the EU's right to take effective measures against climate change, the EU could potentially face legal challenges on the categorisation of fuels.

Having pushed back the decision once in the face of public scrutiny, the EU now expects to announce its fuel standard policies in December. More robust scientific evidence in conjunction with the now proposed inclusion of similar default values for shale oil -- whose use EU member state Estonia has been promoting -- may prevent Canada from alleging discrimination.

ICTSD Reporting; "Oilsands to be black-listed by the EU?", REUTERS, 25 March 2011; "EU Climate Chief sees green fuel debate in months," REUTERS, 28 March 2011; "Canada-EU trade deal threatened by oilsands dispute," VANCOUVER SUN, 21 February 2011; "Row over green status of oil from tar sands," EUROPEAN VOICE, 3 February 2011; "Canada warns EU of trade conflict over oilsands," NATIONAL POST, 4 April 2011.

OECD Workshop Looks At Aid for Trade Implementation

A recent OECD workshop on aid for trade focused on how correctly sequencing policy reform and implementing policies complementary to trade reforms can help developing countries tap trade opportunities and turn them into economic growth. Aid for trade efforts have in general been successful, participants agreed, although concerns were raised about the process for evaluating aid for trade efforts.

As part of its initiative on coordinating aid for trade efforts, the WTO is hosting a third 'Global Review' in mid-July. In the run-up to that meeting,

the WTO and OECD have stepped up monitoring work.

The 28-29 March workshop, which brought together important donors such as the US, the UK, Germany, Finland, France, the European Commission, and the World Bank, along with experts from international organizations and consulting firms, dealt mainly with the evaluation and assessment of how aid for trade spending had impacted trade.

One study of projects in the transport and storage sectors in Ghana and Vietnam was highly critical of the evaluation process. In the study, Patrick Messerlin of Sciences Po and William Hynes of the OECD examined how often key words occurred in a set of 162 evaluations in an attempt to reveal the implicit interests of evaluators and to determine how issues were being considered. This “evaluation of the evaluation” suggested that aid for trade evaluations tended to say rather little about trade itself: “trade” and “exports” were not among the most frequently mentioned by evaluators; development-related concepts received more emphasis. Other common shortcomings of aid for trade evaluations included a failure to assess policy linkages and behind the border policies, a tendency to lack realistic timeframes, and a shortage of ex-ante economic analysis of projects that were later evaluated. Finally, it was said that the evaluations provided little insight as to whether Aft works and why.

The OECD, which houses the Development Assistance Committee, the main coordinating body for aid effectiveness, offered some recommendations for how aid for trade evaluations could be improved: defining objectives in a quantifiable manner, requiring recipients to provide disaggregated data to measure completion of those objectives ex-post, and a framework to assess operations impact in a more systematic and thorough way.

The World Bank’s Richard Newfarmer suggested that countries consider paying more attention to trade when designing national development strategies, and seek more aid for trade from donors. He noted that several countries with high potential demand for aid for trade were in fact receiving less than average levels of such assistance.

Sheila Page from the Overseas Development Institute emphasized the importance of having better regulations and negotiations to fill gaps in the areas of market information, trade promotion and capacity building in activities such as agriculture.

Stephen Karingi of the UN Economic Commission for Africa said that aid for trade has a significant and measurable effect on the improvement of export diversity and competitiveness. A one percent increase in aid for trade, he demonstrated, reduces the cost of exporting by 0.11 percent.

Participants agreed that despite the successes of aid for trade efforts, further policy coordination is needed not only among donors but also at the national level. They also agreed that evaluation needs to follow a more case-by case approach.

ICTSD reporting.

WTO IN BRIEF

EU Declares Victory, Files Appeal in Case against Boeing Subsidies

Immediately after declaring victory in a WTO case against US aircraft subsidies to Boeing, the European Union wasted no time in filing an appeal to clarify certain points of law in the ruling.

Both sides have declared victory following the public release last Thursday of a WTO dispute panel ruling that tagged the US with some \$5.3 billion in illegal subsidies. EU officials appealed in order to close a gap between the ruling and WTO jurisprudence in a mirroring case brought by the US against EU aid to Airbus, the flagship European aircraft manufacturer.

The EU is uneasy about the fact that its own case is running several months behind Washington’s case against European aid to Airbus: a WTO panel ruling against Brussels’ support to Airbus came out last June (the US appealed three weeks later). The difference means Europe could potentially be

ordered to suspend aid to its aircraft maker – or face retaliatory sanctions – months before its US rival. EU trade spokesman John Clancy made the point in a recent statement. “The EU’s victory in this case against Boeing remains very clear for all to see. However, the EU has chosen to quickly appeal technical elements of the ruling for legal strategic reasons—including to reduce what has been a growing time gap between the two parallel disputes,” he said. Under WTO rules, both sides have 30 days to appeal, but only five days to respond once one side appeals.

The US, for its part, dismisses EU claims of victory, focusing on the discrepancy in the scale of illegal subsidisation: the earlier WTO ruling had found the EU guilty of providing with some \$20 billion in illegal subsidies, as compared to \$5.3 billion in illegal US support to Boeing.

“We believe the panel’s findings challenged by the EU are correct and that the Appellate Body will affirm them,” said Nefeterius McPherson, a spokesperson for the US trade representative’s office. “The Europeans haven’t gotten the message. Instead of prolonging the dispute at the WTO, they should be figuring out how to comply with the findings against them.”

The US also argues that the decision recommends it correct only \$2.7 billion in WTO inconsistent subsidies, once a support programme that has already been phased out is removed from the calculation.

“The WTO has vindicated the view that the US has taken for the last 20 years -- that the subsidies the Europeans give to Airbus dwarf anything that the US government does for Boeing,” Ron Kirk, the US trade representative, said at a news conference in Washington.

Both the Airbus and Boeing cases, together, represent the biggest trade dispute to ever reach the steps of the WTO. They have garnered interest from third parties such as Brazil and China because of the potential impact the findings could have on countries developing their own aircraft industries.

ICTSD reporting: “US ‘vindicated’ by WTO Boeing subsidies,” ASSOCIATED PRESS, 1

April 2011; “US appeals Boeing ruling,” WALL STREET JOURNAL, 1 April 2011; “EU files tactical appeal in Boeing trade spat,” REUTERS, 1 April 2011; “United States trade representative Ron Kirk’s statement on the WTO Boeing subsidy decision,” OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE,” 31 March 2011.

EVENTS & RESOURCES

Events

Coming soon

7 April, London. SOUTH-SOUTH ECONOMIC LINKAGES: ASIAN DEVELOPMENT OUTLOOK 2011. Joseph Zveglic, assistant chief economist at the Asian Development Bank, will speak at Chatham House on the findings of the Asian Development Outlook 2011. With a particular focus on this year’s special themed chapter on South-South economic linkages, Zveglic will explain how he sees the growing size and financial power of a developing Asia as transforming the global and economic landscape. Further information can be found on the [website](#).

7 April, Rio de Janeiro, Brazil. BRAZIL AND THE WORLD – OPPORTUNITIES, AMBITIONS AND CHOICES. An international conference convened by Chatham House and Centro Brasileiro de Relações Internacionais (CEBRI) to stimulate a wide exchange of opinions and experiences among opinion-formers in Brazil and worldwide about Brazil’s trajectory in the world from the government, international organizations, academia, private sector, and civil society. Global problems faced by the world have outgrown the existing global structures and traditional powers working alone. New structures, approaches and actors are needed. Brazil has emerged onto the world stage as a global player. But what kind of global role do Brazil and Brazilians want to play? What are the limits of Brazil’s appetite to do more and where? How can Brazil use its multiple groupings and developing country status to leverage global governance reform? For more information, please consult the [website](#).

8 April, Washington, D.C. CLIMATE SECURITY AND GREEN TECHNOLOGY: AN EU-US PERSPECTIVE. At this event, hosted by the Carnegie Endowment for International Peace, EU Commissioner for Climate Action Connie Hedegaard will present a keynote address on the needs to address climate and energy security threats and embracing clean technologies in support of the transition to a low-carbon economy. Climate change presents common threats to the security, economy, and environment of the European Union and United States. At the same time, the transition to a low-carbon economy has the potential to provide a major boost in innovation, investment, and enhanced competitiveness. While facing similar challenges, the EU and United States have taken significantly different approaches to capping greenhouse gas emissions. For more information, please refer to the [website](#).

8 April, Budva, Montenegro. SOUTH EASTERN EUROPEAN MEETING OF MINISTERS OF SUSTAINABLE DEVELOPMENT AND ENERGY. This event is organized by the South Eastern European Cooperation Process (SEECP) and by Montenegro, the SEEPC Chair. The main topic of the meeting is “green economy in the energy sector within the context of sustainable development.” More information can be found on the [website](#).

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.

7 April: WTO Introduction Day

7 April: Committee on Rules of Origin

11 April: Workshop on Aid for Trade

11 April: Workshop on Regulatory Practises

12 – 14 April: Services Meetings

Other upcoming events

11 – 12 April, Paris. 2011 BUSINESS AND INDUSTRY GLOBAL DIALOGUE: THE ROAD TO RIO+20. Co-organized by the International Chamber of Commerce and the Group La Poste, this event will focus on strengthening the role of the private sector in the transition to a resource efficient and green economy. The event targets participants from business and industry, including associations and companies, and will focus on two themes: the transition to a green economy and the contribution of the private sector to global processes. More information can be found on the [website](#).

11 – 12 April, Geneva. TRADE AND DEVELOPMENT BOARD, 52ND EXECUTIVE SESSION. Detailed documents and the agenda for the meeting are available on the United Nations Conference on Trade and Development [website](#).

Resources

THE INTERFACE BETWEEN THE TRADE AND CLIMATE CHANGE REGIMES: SCOPING THE ISSUES. By Patrick Low. World Trade Organization, January 2011. As governments increasingly adopt policies to reduce greenhouse emissions, concern has grown on two fronts. First, carbon leakage can occur when mitigation policies are not the same across countries and producers seek to locate in jurisdictions where production costs are least affected by emission constraints. The risk of carbon leakage raises questions about the efficacy of climate change policies in a global sense. Secondly, it is precisely the cost-related consequences of differential mitigation policies that feed industry concerns about competitiveness. We thus have a link between environmental and competitiveness perspectives that fuses climate change and trade regimes in potentially problematic ways as governments

contemplate trade actions to manage the environmental and/or competitiveness consequences of differential climate change policies. On the trade side of this relationship, we have the reality that the GATT/WTO rules were not originally drafted to accommodate climate change policies and concerns. The purpose of this paper is to analyse the relevance of certain WTO rules to the interface between climate change and trade, focusing in particular on border measures, technical regulations on trade, standards and labelling, and subsidies and countervailing duties. The paper is available for download [here](#).

SCOPE AND DEFINITION: UNCTAD SERIES ON ISSUES IN INTERNATIONAL INVESTMENT AGREEMENTS II. United Nations Conference on Trade and Development, March 2011. A new UNCTAD paper, the sequel to the 1999 Pink Series paper on "scope and definition", considers how the concepts of "investment" and "investor" have been defined in existing international investment agreements (IIAs), and how different definitions have been interpreted by arbitral tribunals. The paper moves beyond a merely descriptive role and considers how to respond to arbitral awards. It offers policy options for IIA negotiators that better take into account the development needs of host countries and enhance the stability and predictability of the legal system. The paper concludes with a section on policy options for IIA negotiators. It argues that adding a development policy dimension to the technical definition of investment would help bring developmental concerns to the centre of the agreements' objectives and to the fore of tribunals' considerations (i.e. even before going into a substantive assessment of contested host country measures). Adoption of such a practice would be an important step towards making IIAs contribute to economic sustainability. This paper is available for download [here](#).

THE TRANS-PACIFIC STRATEGIC ECONOMIC PARTNERSHIP AGREEMENT: A LATIN AMERICAN PERSPECTIVE. By Sebastián Herreros. Economic Commission for Latin America, March 2011. In March 2010, negotiations aimed at enlarging the Trans-Pacific Strategic Economic Partnership Agreement (TPP) were launched. Nine countries from Asia, Oceania and the Americas currently participate in them.

The United States, which in practice has assumed a leading role, has stated that this process has the ultimate goal of transforming the TPP in a platform for a high-quality, large-scale trans-Pacific economic integration. For the current two Latin American participants (Chile and Peru), as well as for other prospective candidates, the TPP offers the possibility of strengthening their trade and investment links with Asia Pacific, the world's most economically dynamic region. The TPP could also make a meaningful contribution to "tame the tangle" of preferential trade agreements across Asia Pacific. However, given the current set of participants, the negotiations offer both Chile and Peru little in terms of improved market access. Moreover, they are characterized by uncertainty as to their content, architecture and membership, as well as by risks such as having to make new concessions in sensitive areas like intellectual property and investment. Overall, the success prospects of the TPP negotiations depend largely on how the trade policy environment in the United States evolves during 2011. This paper is available for download [here](#).

MOST-FAVOURLED NATION TREATMENT. United Nations Conference on Trade and Development, January 2011. The inclusion of most-favoured-nation (MFN) treatment provisions in international investment agreements followed its use in the context of international trade and was meant to address commitments made by States in free trade agreements to grant preferential treatment to goods and services regarding market access. However, in the context of international investment that takes place behind borders, MFN clauses work differently. The paper contains an explanation of MFN treatment and some of the key issues that arise in its negotiation, particularly the scope and application of MFN treatment to the liberalization and protection of foreign investors in recent treaty practice. It also provides policy options as regards the traditional application of MFN treatment and identifies reactions by States to the unexpected broad use of MFN treatment and provides several drafting options, such as specifying or narrowing down the scope of application of MFN treatment to certain types of activities, clarifying the nature of "treatment" under the international investment agreements, clarifying the comparison that an arbitral tribunal needs to undertake as well as a

qualification of the comparison "in like circumstances" or excluding its use in investor-State cases. This paper is available for purchase [here](#).
