



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

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LEAD STORIES

Leaked Report Urges G-20 Action on Food Price Volatility

A [leaked report](#) by top international food security experts urges the Group of 20 leading economies to tackle food price volatility by reforming biofuel policies, curbing the use of agricultural export restrictions, and rebuilding emergency food reserves.

Senior agriculture ministry officials from G-20 governments are meeting in Paris on 11-12 May to hammer out an action plan based on the experts' recommendations.

Absent from the expert report was a World Food Programme proposal on an emergency reserve system. The new text does, however, provide new advice on biofuel policy and an Agricultural Market Information System (AMIS).

The report, a collaborative effort between ten international organisations working on food, such as the UN Food and Agriculture Organization and the Organization for Economic Cooperation and Development, has changed little since its previous [draft version](#), though some described the analysis as more “nuanced.”

Representatives from civil society groups are expected to air their concerns in a 45 minute meeting on Thursday with the G-20 agriculture ‘sherpas’ who have been nominated by agriculture ministers to attend the meeting. These representatives will draft an action plan that agriculture ministers from the G20 will agree to at their first ever meeting on 22-23 June.

Doha agreement, constraints on export restrictions targeted

The document recommends that the G-20 lead

efforts to conclude the Doha Round as a step towards improved trade policy and less price volatility. Sources close to the report told Bridges that any discussion of a “[Plan B](#)” for Doha has been off the table in the group’s discussions. Both the experts advising the group and the representatives of governments have refrained from discussing any alternatives to Doha while attempts to resuscitate it continue.

As in previous drafts, the experts call for a clearer definition of a “critical food shortage,” and other conditions that allow WTO members to limit exports under international trade law. They also urge a focus on the particular needs of least developed and net food importing countries. At the WTO, a recent [proposal](#) by net-food importing developing countries called for some strictures on the use of export restrictions to be part of a Doha Round accord.

Export restrictions may once again come under the spotlight since the Financial Times reported that Glencore, a Swiss agricultural commodity firm, made bets that Russian wheat prices would surge ahead of a ban in 2010 on sales to buyers abroad. Representatives of the firm had publicly called for such a ban.

A delegate from a G-20 country in Geneva told Bridges that some states with export interests seemed reluctant to accept the notion of limiting the ability of countries to block exports. At least two members of the G-20, Russia and Argentina, have instituted export restricting measures such as taxes or bans in the past year.

Biofuels

Noting that biofuel policies may have played a role in sustaining high prices for corn, with spillover effects into other commodities, the authors urged G20 members to be flexible when providing incentives for fuels derived from food crops.

Those participating in the inter-agency meetings saw familiar wrangling on approaches to solutions, for example, with the OECD viewing government intervention cautiously and the FAO finding possibly constructive roles for it.

The report’s recommendations on biofuels say that ideally, governments would eliminate trade restrictions on biofuels and their feedstock, as well as blending mandates and subsidies. With an eye to political palatability, however, the report instead suggests that mandates be ‘automatically’ relaxed or eliminated based on changes in an observable measure such as prices or short term inventory forecasts. Given that such changes might prove costly for biofuel producers and prompt demands for compensation from their governments, the experts suggest a variety of options such as promises to buy output from producers in times of crisis.

In their most radical departure from the status quo, the experts, many of them economists, envision an open market in renewable fuels, food stocks and food-feed commodities as alternatives. Stressing the need to ensure economically, socially and environmentally sustainable use of resources, they foresee an expanded role for ‘second-generation’ and newer types of biofuels, which do not come from food crops.

Emergency

reserves

The agencies preparing the report had requested a detailed proposal from the World Food Programme for a “cost-effective system of small, strategically positioned emergency food reserves by the end of 2011.” Sources report that the WFP was unable to deliver this in a timely manner. The Programme did, however, hold consultations with academics, representatives of other international agencies and civil society to hash out what such reserves would look like.

The interagency report cites the huge costs and potential inefficiencies of international physical or virtual reserves as reasons to not endorse their implementation. However, the report doesn’t suggest that individual countries be prohibited from building such reserves.

An observer participating in the WFP consultations said that the Programme’s proposal was reaching beyond mere food aid. Describing the proposal as “pre-positioned food aid plus,” meaning that it could do more than simply provide emergency stocks held in anticipation of need in a given country, the source believed that

the mechanism would allow national governments to smooth import flows in times of disruptions and price spikes on international markets. According to the source, the proposal would use a combination of physical and virtual in-country stocks to “overcome break downs in international markets” lasting from 30 to 90 days.

Since much of the funding for the WFP’s working is earmarked for aid to specific countries or for a given crop, some observers have pointed to situations where the agency’s ability to respond to distress calls has been limited. They argue that a system of reserves, even at the national level, would allow the WFP a greater degree of flexibility in preventing extreme hunger. Critics reportedly fear that such a system could potentially expand the role of the WFP and create an implicit international food reserve. To date, no such proposal has made it into formal circulation amongst the G-20.

The WFP is expected to present a revised proposal directly to the G-20 ahead of the agriculture ministers meeting in June but after consulting with other international organisations.

ICTSD reporting; ‘Glencore reveals bet on grain price rise.’ FINANCIAL TIMES. April 24 2011.

WIPO Development Ctte Suspended Amidst Discord, Putting Projects on Hold

Talks on integrating development considerations into every aspect of World Intellectual Property Organisation’s work came to an abrupt halt last week, as the negotiating committee’s session was suspended when governments failed to agree on a South-South cooperation project.

The mandate of the Committee on Development and Intellectual Property (CDIP), which met from 2-6 May, is to implement the 45 Development Agenda recommendations WIPO members adopted in 2007, monitor and evaluate said implementation, and to serve as a forum for the discussion of IP and development issues. The

committee makes recommendations to WIPO’s annual General Assembly in September.

In order to more effectively implement the recommendations, the CDIP has been working with a project-based approach spread across six thematic clusters, including technical assistance, norm-setting, technology transfer, and governance.

Issues discussed during the week included a report by WIPO’s director-general on the implementation of the Development Agenda, the coordination mechanism for the CDIP committee, the addition of “IP and Development” as a standing item on the CDIP’s agenda, and various project proposals.

Members’ opinions differed sharply on WIPO’s commitment to development, causing many negotiators to express frustration. “The politics of intellectual property have to change to integrate the development dimension, not the other way around,” one developing country delegate concluded.

Controversy over South-South project

Negotiations in the committee foundered late last Friday over a project entitled “Enhancing South/South cooperation on intellectual property and development among developing countries and least developed countries.”

The proposal, first submitted by Egypt in November 2010 but now backed by the entire African Group along with the Development Agenda Group (DAG), would entail the organization of four interregional meetings among developing countries and LDCs, the creation of a webpage on the WIPO site that addresses South-South cooperation and the launch of an interactive web portal among IP offices, civil society organizations, and research institutions in developing countries and LDCs. At the helm of this project would be a project manager who would act as a liaison with other UN agencies in area of South-South cooperation. Supporters of the proposal emphasised that sharing experiences and successes from other Southern countries could help developing country governments address similar concerns and challenges.

Nevertheless, in talks on the proposal, developed countries expressed concern that closing off the interregional meetings to certain members promoted a level of exclusivity inconsistent with current WIPO practice or regulations. Developing countries countered that a project on South-South cooperation should, by its very nature, be limited only to the countries with a stake in the issues: developing countries and LDCs, as it is the practice in other UN institutions.

Late in the evening last Friday, negotiations came to a standstill. In addition to the differences over participation in interregional meetings, developed countries raised concerns about the project's budget, as well as potential duplication with existing WIPO projects.

After it became clear that consensus was unlikely, Egypt requested legal counsel and, backed by India and South Africa, called for a vote – a very rare step in WIPO negotiations – on the matter. Later in the night, Spain asked for the possibility of a vote by secret ballot, instead of one by show of hands. This complicated matters more, since a secret ballot would have taken , and prompted Egypt to ask for suspension of the meeting. Vice-Chair Garikai Kashitiku of Zimbabwe accepted this motion, and the meeting -- including discussions on other projects -- was put on hold.

Other negotiations also stalled

Because of the suspension, no project could be presented to WIPO members for approval, even though some – such as a project on IP and the informal economy and one on IP and brain drain in developing countries -- had been given the green light during informal consultations. The IP and brain drain project, however, had various points that still needed to be ironed out.

Other projects discussed during the week but not adopted included a project on patent-related flexibilities in the multilateral legal framework, and a project on patents and the public domain.

DG report “leaves something to be desired”

The report by WIPO Director-General Francis Gurry intended to provide an overview of the

implementation of the Development Agenda. The first part of the report was dedicated to the coordination mechanism, the second, to a summary of the DA projects, and the third, to outlooks for the future.

The director-general, who has been presenting such reports since April 2010, promised that in the coming year a number of projects would be completed, thus providing the secretariat the opportunity to evaluate their effectiveness.

The African Group, the Development Agenda Group (DAG), the Asian Group, and Bolivia welcomed the effort by Gurry to provide a substantive report, but said that many details were missing on the activities presented in the report, both on their nature and their actual impact. The delegation of Bolivia stressed that the report lacked “the qualitative and detailed information necessary to successfully evaluate the implementation of the Development Agenda”. Similarly, India noted, “what matters is not the contributions, but rather the nature and content of the contributions.”

Pakistan highlighted that the mere provision of linkages is not sufficient. Spain stated that “the report leaves something to be desired”.

The LDC group said that what progress had been made remained insufficient, recalling the startling statistic that just 9 out of 1 million patents come from LDCs.

Disagreement over coordination mechanism

Another subject of heated debate was the modalities of a prospective coordination mechanism for implementing the Development Agenda across all relevant WIPO committees.

Despite minimal progress made on the matter during informal consultations throughout the week, India proposed a draft text outlining modalities for such a mechanism. The draft suggested that all WIPO bodies and committees report their efforts on Development Agenda implementation to the General Assembly, which would then forward their reports for discussion at CDIP sessions.

Some countries expressed disagreement over this proposal, noting that the CDIP does not have the mandate to make organizational decisions of that nature, or even to evaluate the work of other committees.

Others underlined that such a mechanism would be the “only member driven tool for the evaluation of WIPO’s development work”, while Indonesia called it “the core of WIPO’s work.”

The modalities of operation of the coordination mechanism remain unclear as delegates were not able to formally discuss India’s proposal.

Additional agenda item sees no progress

During the previous session of the CDIP in November 2010, Brazil proposed the inclusion of an additional agenda item entitled “IP and Development-Related Issues.” In their view, the “CDIP should not be restricted to the design and execution of projects” and that the Development Agenda must permeate all areas of WIPO’s work. India, together with Brazil, added that issues to be discussed under the proposed agenda item could include an IP and development conference, reports of the WIPO Economic Seminar series, and WIPO’s contributions to IP and development-related work. Other countries that supported the inclusion of a new agenda item included Pakistan, Indonesia, Thailand, the African Group, the Asian Group, among others.

On the other hand, Hungary (on behalf of the EU) stated that they “could not agree to the creation of an additional agenda item under IP and Development” arguing that by definition, the essence of the CDIP’s work is on IP and development and thus this new agenda item would be redundant.

Vice-Chair Kashitiku circulated a draft summary of the meeting on Friday evening that under the circumstance was not discussed. It is expected that delegates will resume their controversial negotiations at the next session of the CDIP, currently scheduled for November although it could be reconvened earlier.

ICTSD reporting: “WIPO Committee On Development Agenda Suspended,

Discussions Bogged Down,” IP WATCH 11 May 2011.

Food Price Swings Prompt Calls for Biofuel Reform; Brazilian Ethanol Imports Surge

Several farm commodities, particularly sugar, began a sharp downward price correction last week, surprising analysts. Wheat, corn and soy, also witnessed modest declines. Nevertheless, prices remain at levels that are high by historical standards. Swings in the prices of agricultural commodities have had some topsy-turvy effects, such as helping to turn Brazil, the world’s leading ethanol producer, into a major importer of the fuel.

Sugar prices set records in February, though they have since declined somewhat. ElMamoun Amrouk, an expert at the UN Food and Agriculture Organization (FAO), believes that “prices have gone much higher than the fundamentals would suggest,” implying that financial market speculation might have played a role.

Estimates of a good crop in Thailand and recovering production in Brazil, the two largest sugar producers, may help satisfy demand in international markets. Thai officials are speculating that output in the country could even be a third higher than projected in December, says Amrouk. He added that replenishing depleted domestic stocks is likely to be the first step for large producers, with exports to foreign markets coming in second.

Food prices

A new UN [report](#) described agricultural commodity prices as essentially stable in April. The FAO’s [food price index](#), a composite basket of agricultural commodity prices, is now only five points lower than its 2010 peak, and well above the levels reached during an earlier price spike in 2008.

Noting that it was important to understand the “real causes” of the recent price fluctuations,

Concepcion Calpe of the FAO explained that current volatility may be related to large financial actors moving “in and out” of the market for commodities.

She emphasized that there was no new information for many of the crops experiencing swings in prices. The situation for wheat and corn remained “tight,” she said. However, prices for the commodities have fluctuated in the last few days. Reports from the Financial Times indicate that the northern hemisphere wheat crop has yet to receive enough rainfall.

Even a substantial plunge in sugar prices is unlikely to bring the FAO’s food price index down, if prices for other commodities remain high, according to Calpe. The commodity makes up only seven percent of the total index, whereas meat, dairy and cereals, make up nearly three-fourths.

The World Bank, FAO and others have warned that high food prices are likely to drive millions more into [hunger](#).

US ethanol policy

In the US, biofuels -- principally corn-based ethanol -- are heavily subsidised, protected by high tariffs, and benefit from federal blending mandates. Recent proposals in the US Congress seek to link biofuel production to the price of oil, providing ethanol subsidies only when the fossil fuel prices fall below a certain threshold. Bruce Babcock of Iowa State University described it as a “potentially politically viable way of eliminating” the ethanol subsidy programme.

Babcock and Brian Wright of the University of California have independently argued that mandates requiring the use of a minimum percentage of biofuels in automobile fuel, such as those in the US for ethanol, help drive food prices higher, particularly for corn.

[Proposals](#) by Senators Chuck Grassley (Republican-Iowa) and Kent Conrad (Democrat-North Dakota) cut tax credits to the biofuel industry over the next two years and phase in a link to oil prices. A competing [proposal](#) by Senators Dianne Feinstein (Democrat-California)

and Tom Coburn (Republican-Oklahoma) would completely eliminate tax credits and import tariffs, opening the market up to international competition by the end of the year.

Brazilian ethanol imports

Brazil, an agricultural powerhouse, bet during the oil crisis of the 1970’s that it could produce enough sugarcane based ethanol to run a significant part of its economy, instituting blending mandates. Although the policy sputtered at times, with supply shortfalls in the 1980’s, recent years have seen the country described as the “Saudi Arabia of biofuels.” As the price of oil has increased over the past decade, ethanol has become an increasingly viable alternative.

Plentiful land, water and labor allow the country to grow cheap sugarcane that is considered to generate far fewer greenhouse gas emissions over its life-cycle than grain based ethanol produced elsewhere. Although the Brazilian government does not provide subsidies for ethanol, a blending mandate helps ensure strong demand for the fuel.

Brazil’s imports of ethanol have skyrocketed due to a combination of poor sugarcane harvests, high world sugar prices encouraging domestic mills to turn cane into sugar rather than ethanol, and the considerable appreciation of the Brazilian real compared to the US dollar. Brazil imported 70 million litres of ethanol from the US in 2010, up from 1 million litres in 2009 according to the Financial Times.

The real has soared by 50 percent against the dollar over the last two years, as foreign capital has surged into the country in pursuit of a booming domestic market and some of the highest real interest rates in the world. Meanwhile, ultra-loose monetary policy in the US, aimed at stimulating growth and employment, has made the dollar relatively weak. The effect has been to make US exports of ethanol far cheaper in Brazil than they used to be.

Experts such as Marcelo Moreira of the Instituto de Estudos do Comércio e Negociações Internacionais (ICONE) argue that the growth in Brazil’s ethanol imports has not been the result of currency and commodity price swings alone. He

also blamed a lack of investment in the capital-hungry crop as well as record sales of flex-fuel vehicles that have driven a surge in demand. Ethanol has not been competitive with petrol in much of the country for the past two months because of this, according to Moreira. He added that a seasonal oscillation in supply, coupled with low stocks, has led to a “price boom rather than a shortage” and expects prices to come down soon since the sugar harvest has just started in parts of the country.

Tellingly, imports of ethanol from the US are going largely to the north eastern part of Brazil. Moreira explains that is due largely to seasonal and climatic variability. The country does not have a system of stocks or reserves that can supply the huge demand. The government is moving to create such a system and has reportedly floated proposals to tax sugar exports.

The Ministry of Energy has set targets to increase the share of Petrobras, the state owned energy firm, in production and distribution of ethanol. The targets are not binding law but merely a direction in policy. Currently the firm produces five percent of the country’s ethanol, a figure that the government would like to see increase to 50 percent, according to Moreira.

Speaking to Bridges, David Laborde of the International Food Policy Research Institute, believes that low profit margins for sugar meant that it drew relatively less foreign direct investment than other farm sectors, such as soy and livestock. In addition, he noted that hefty short-term returns from other segments of the Brazilian economy had made the agriculture sector less of a destination for investment than it might otherwise have been.

Although trade policies play a significant role in framing incentives for the production of ethanol, sugar and other agricultural commodities, Babcock surmised that the proposed changes in US policy were “not going to do much for Brazil” on ethanol if prices remain high.

Others, such as Amrouk, suggested that the “biofuel market is a distorted market,” one where the “law of supply and demand is amplified by public intervention.”

ICTSD reporting; ‘Wheat farmers pray for rain,’ FINANCIAL TIMES, 20 April 2011; ‘Success fuels ethanol subsidy changes,’ FINANCIAL TIMES, 5 May 2011.

OTHER NEWS

UN LDC Summit Kicks Off in Istanbul

A UN conference aimed at helping the world’s poorest countries chart a course towards sustainable development is underway in Istanbul, amidst dissatisfaction both with the results of past conferences and prospects for anything better from the current one.

The Fourth UN Conference on Least Developed Countries (UN LDC IV), which will run from 9-13 May, has two main objectives: measuring progress towards implementing the 10-year development strategy known as the Brussels Programme of Action that was adopted at the last such meeting ten years ago; and identifying new strategies for LDCs’ pursuit of sustainable development over the next decade.

Since 1971, the United Nations has identified LDCs as a category of states which, for reasons of very low income, poor human development, and high economic vulnerability to natural, trade, and economic shocks, face more structural handicaps than other countries in rising out of poverty. However, in the decades since then, despite the increased spotlight on the challenges they face, not to mention considerable expenditures on economic aid, the number of LDCs has doubled, to 48. Only three have graduated to non-LDC developing country status: Botswana, in 1994, Cape Verde, in 2007, and the Maldives, at the beginning of this year.

“It is time to change our mindset” about LDCs, said UN Secretary-General Ban Ki-Moon in his opening remarks, criticizing the tendency to view the 48 countries as “the poor and weak.” Instead, he urged the summit to focus on the “vast reservoir of untouched potential” they

represented. He called for additional development aid to LDCs, saying that despite tripling over the past decade, assistance remained insufficient. Ban argued that helping LDCs would yield payoffs over the long run. "Assistance to LDCs is not charity, it is a sound investment," he added.

Nepali Prime Minister Jhala Nath Khanal, whose country currently chairs the group of LDCs, called the 2001 Brussels Plan of Action an "unfinished agenda." He said that the private sector, which was at the centre of productive capacities, had a critical role to play in LDCs' growth and development.

Similar sentiments were expressed by European Commission President Jose Manuel Barroso, who emphasised the importance of the private sector for the LDCs' development. Reiterating the EU's commitment to LDCs, he noted that the bloc's aid to LDCs reached 53.8 billion euros in 2010, a 4.5 percent increase over 2009.

WTO Director-General Pascal Lamy appealed to LDC leaders to use the Istanbul conference to send a clear message to the world's governments calling for the Doha Round of global trade talks to be unblocked in favour of LDCs. A Doha Round agreement, he said, would help LDCs by opening up duty- and quota-free market access for LDC exports, reducing trade-distorting agriculture subsidies, and improving rules of origin. Lamy noted that over the past decade, LDC trade grew twice as vast as the world average.

World Bank Managing Director Ngozi Okonjo-Iweala said that a key challenge for LDCs is to rebuild their fiscal space by strengthening domestic revenue gathering through taxation. In addition, she said, there is a high correlation between agriculture and private sector development, noting that "essentially agriculture is a private sector activity". The World Bank identified challenges in dealing with the private sector but also with seizing the opportunities presented by a "youth bulge." Education is critical, she reminded the audience, and needs to be linked to industries adequately.

Turkish Prime Minister Recep Tayyip Erdogan took a much sharper tone, criticising rich countries for ignoring a summit he described as the UN's most important apart from its General

Assembly. "We observe with deep sorrow that developed and wealthy countries don't pay sufficient attention to this significant summit," he told a lunch meeting with fellow political leaders, according to a report in the Zaman newspaper.

Anwarul Chowdhury, a former Bangladeshi diplomat and UN undersecretary-general, also had harsh words for the summit, saying that the likely outcome "does not look promising at all." The preparatory process, he said, had been marked by "insensitive bickering," a lack of engagement by donor countries, and a "lack of forceful, dynamic and creative leadership of the group of LDCs." In an article for Inter Press Service, he excoriated non-LDC developing members for contributing to LDCs' problems by being "constantly worried that the poorest would get away with special privileges." Chowdhury also criticised the UN public relations team for failing to drum up adequate interest in the LDC summit.

If the conference goes according to plan, governments will approve an "Istanbul Programme of Action" at the end of the conference.

The establishment of effective monitoring mechanisms would be necessary for the success successful implementation of such a plan, said Turkish President Abdullah Gül, who suggested a mid-term review conference be held in Istanbul in 2015.

ICTSD reporting; "Major Salvaging Needed for UNLDC IV in Istanbul," INTER PRESS SERVICE, 6 May 2011; "Erdogan slams rich countries for indifference to LDC summit," ZAMAN, 9 May 2011.

EU Signs Accords with Indonesia, Liberia in Bid to Curb Illegal Timber Trade

The EU and Indonesia last week finalised an agreement on monitoring bilateral trade in timber products in order to halt trade in illegal resources. Liberia followed suit on Monday, signing a similar deal with Brussels.

Once ratified, the Forest Law Enforcement, Governance and Trade Voluntary Partnership

Agreement (FLEGT-VPA) will require all timber, as well as forest products such as paper and pulp, exported to the EU to be audited by an independent body and certified to come exclusively from legally felled trees.

EU and US legislation aimed at legitimising their timber imports has created incentives for Indonesia and Liberia to finalise the agreements.

The US federal “Lacey” Act was amended in 2008 to ban illegal timber from entering the country. Meanwhile, the EU’s Timber Regulation, which will require all timber imports to be legally certified, is set to go into effect in March 2013 (See Bridges Trade BioRes [25 June 2010](#)).

According to Saskia Ozinga of the European forest non-governmental organisation, FERN, “VPAs are currently the most effective international tool to keep forests standing or to reduce emissions from deforestation.”

Indonesia

The timber trade between the EU and Indonesia amounts to over \$1.2 billion a year, and comprises 15 percent of Indonesia’s total timber exports.

“Indonesia is not only the first Asian country to conclude VPA negotiations with the EU, but also by far the largest timber exporter to enter into such an agreement,” said EU Trade Commissioner Karl de Gucht after the accord was signed on 4 May.

In order to enforce the regulation in Indonesia - where 40 percent of annual timber trade is estimated to be illegal - the certification scheme will identify timber as legal or not through a monitored system of log tagging.

Ozinga warned that simply signing an agreement was not enough: the accord’s effectiveness at halting illegal trade will hinge on how stringently it is enforced. “Only if the VPA will be properly implemented will it significantly reduce illegal logging,” she told Bridges. “We should work towards effective implementation.”

A \$44.7 million “capacity building” programme that will run parallel to the VPA is intended to

improve the trade and investment climate in Indonesia and fight elements, such as corruption, that could paralyse the accord’s effectiveness.

If legislators in both the EU and Indonesia ratify the agreement in September, the VPA will be fully implemented in 2013.

Liberia

The EU-Liberia FLEGT-VPA, signed on 9 May, is expected to strengthen and support forest governance in the West African country, whose 14-year civil war that ended in 2003 was funded in part by logging.

Liberia enacted major revisions in forestry law and legal certifications for timber upon the removal of UN sanctions against the country’s timber exports 5 years ago.

“The agreement builds on the reforms that are ongoing in Liberia to ensure accountability and good governance in the sector,” Luis Riera Figueras, the EU’s chief negotiator for the VPA, said. “We want the forest sector to contribute to the country’s recovery.”

Liberia’s timber industry faced a radical 30.4 percent reduction in exports in 2010 with only 100,247 pieces exported in the third quarter. According to the Central Bank of Liberia, the drastic reduction was a result of bad weather and poor roads.

The VPA could represent a light at the end of the tunnel for legal logging in the country.

“Demand could increase given the growing movement in consumer countries to require proof that wood and wood-product exporters are dealing only in legal timber,” said the European Forest Institute, a research body based in Finland.

Liberia contains half of West Africa’s tropical rain forest, which is a naturally biodiverse habitat and greenhouse gas sink.

Along with Indonesia and Liberia, the EU has a FLEGT-VPA with the Central African Republic, Ghana, Cameroon and the Republic of Congo

(see Bridges Trade BioRes, **19 September 2008**, **15 May 2009**, and **14 May 2010**).

“Logging off”, THE ECONOMIST, 5 May 2011; “EU, Indonesia sign agreement to end illegal logging”, THE JAKARTA POST, 5 May 2011; “Indonesia, EU Commit to Increase Trade to \$50b”, JAKARTA GLOBE, 5 May 2011; “Jakarta fights illegal loggers in EU deal”, FINANCIAL TIMES, 4 May 2011; “Liberia Signs Accord With EU to Protect Forests, Stop Illicit Timber Trade”, BLOOMBERG, 9 May 2011.

IN BRIEF

Colombia, Panama, Korea FTAs Sent to US Congressional Committees for Review

The Obama administration announced last week that it is prepared for Congress to begin the process of review and approval of free trade agreements that the US has negotiated with Colombia, Panama, and South Korea. Technical discussions on the three are underway in key US Congressional committees, a necessary step before lawmakers can vote to approve or reject the agreements.

At time of writing on 11 May, a hearing on the Colombia FTA was in the Senate Finance Committee. Concerns were being raised that the side-agreements Washington had struck with Bogota on labour protections would be ineffective, and that labour provisions in the core FTA text would have been more enforceable. Supporters of rapid approval of the deal pointed to military and diplomatic ties between the two countries, and warned about the potential loss of market share in Colombia as Bogota implements free-trade agreements with other countries.

The three FTAs, banded together for Congressional review, were deemed ready to proceed to Congress because Colombia had been meeting milestones laid out in an Action Plan for labour reform it agreed to with the US (see Bridges Weekly, 14 April 2011) Democrats had made labour reform a precondition for the

Colombia deal to be moved through the US Congress.

Simultaneously, Congress will be engaged in discussions to revamp a Trade Adjustment Assistance (TAA) programme that would aid workers displaced by liberalisation; the administration believes a TAA package is necessary to secure Congressional approval for the FTAs.

The White House and key lawmakers hope to have the FTAs approve by 1 July, in part for fear of being displaced in Colombia’s market by exporters from the EU and Canada, which are poised to launch FTAs of their own. (See Bridges Weekly, 4 May 2011) The EU and Korea are also set to start implementing an FTA this summer.

“Implementation of agreements by other countries, and continued inaction on our agreement, will result in further missed opportunities to create US jobs” said Representative Kevin Brady, Chairman of the Trade Subcommittee in the House Committee on Ways and Means.

ICTSD reporting; “White House ready to send Congress key trade deals”, BUSINESSWEEK, 4 May 2011; “Free-trade pacts caught in crossfire”, POLITICO, 4 May 2011

EVENTS & RESOURCES

Events

Coming soon

13 May, Washington DC. US TRADE RELATIONS WITH AFRICA AND OUTLOOK FOR THE AGOA FORUM. The event, hosted by the Center for Strategic and International Studies, will address issues and possible improvements to the Africa Growth and Opportunity Act as well as trade and capacity building, investment, promotion and the business climate in Africa as a lead up to the US-Sub-Saharan Africa Trade and Economic Cooperation Forum (AGOA Forum). US Deputy Trade

Representative Demetrios Marantis will deliver the keynote address in regards to AGOA- the centrepiece of the US trade policy with sub-Saharan Africa – and how it represents opportunities to promote trade, business, and investment that encourage economic development in Africa. Information on the event available on the [website](#).

19-20 May, Geneva, Switzerland. JOINT UNECE/OECD/EUROSTAT TASK FORCE FOR MEASURING SUSTAINABLE DEVELOPMENT. The objective of this work is to pursue a conceptual approach to identifying indicators to present the long-term dimension of sustainable development. In addition, indicators to present the quality of life are also being developed that work to cover the human wellbeing of the present generation, quantifying the economic, human, natural and social capital that is left to future generations and discussing how the countries in pursuit of their welfare goals have an impact on the rest of the world. Further details available via 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.

11 May: Committee on Specific Commitments

12 May: Committee on Market Access

12 May: Committee on Trade in Financial Services

12 May: Committee on Customs Valuation

Other upcoming events

23-27 May, Paris, France. OECD WEEK. The week will include the OECD 50th Anniversary

Forum and the 50th Anniversary Meeting of the OECD Ministerial Council. The OECD Forum 2011 will build around a special programme showcasing how the OECD has helped raise standards of life and how the OECD can sharpen its contribution toward a more resilient and balanced world economy in the future. Information on the programme can be found [here](#). While the Ministerial Council meeting will bring together world leaders and ministers, to share better policies to build a resilient and balance world economy, supported by new sources of growth and jobs in developed and developing countries. Further information available on the [website](#).

6-10 June, Geneva. THIRD SESSION OF THE TRADE AND DEVELOPMENT COMMISSION. As countries struggle to place their economies onto sustained growth and development paths in the post-global economic crisis period, trade unquestionably remains an important instrument for economic recovery, growth and development. This session of UNCTAD's Trade and Development Commission will address the themes of: assessing the evolution of the international trading system and enhancing its contribution to development and economic recovery, as well as the integration of developing countries in global supply chains, including through adding value to their exports. More information can be found [here](#).

Resources

NEW NEW TRADE POLICY. By Dan Ciuriak, Beverly Lapham, and Robert Wolfe with Terry Collins-Williams and John M. Curtis. April 2011. When national competitiveness is invoked as a policy objective, trade experts have learned to retort that countries don't trade, firms do. This focus on the importance of the firm in international trade is consistent with the most recent developments in trade theory, but policy needs to catch up. Traditional trade theory argues that countries gain from exporting those goods and services that they are relatively good at producing while importing goods and services that other countries are relatively good at producing, but actual trade patterns do not match the theory.

Recognizing the growing anomalies in observed trade patterns, the "new trade theory" of the 1980s looked at industries not countries, leading Nobel prize-winner Paul Krugman, a pioneer in this literature, to suggest the need for a new trade policy. Recent work on what some call the "new new trade theory" focuses on the trading behaviour of individual firms. We sketch the evolution of this 21st century theory and demonstrate the need for a new new trade policy. Available online at <http://ssrn.com/abstract=1814226>.

BUILDING PEACE THROUGH TRADE: THE FUTURE OF INDO-PAK RELATIONS, Consumer Unity & Trust Society (CUTS), April 2011. These papers are evidence that friendship and cooperation through trade are a prerequisite for improving relations between the two neighbouring nations of India and Pakistan. The entire paper is available [here](#).

FOREIGN DIRECT INVESTMENT IN LEAST DEVELOPED COUNTRIES. United Nations Conference on Trade and Development, 2 May 2011. Looking at the lessons learned from 2001-2010, the report finds that the concentration of foreign direct investment (FDI) in enclaves of export-orientated primary production with limited employment, technological and productivity linkages remains the main challenge in most least developed countries. It urges for shifting the focus of FDI towards job creation and enhancing least developed countries' productive capacities – such as their ability to produce wide varieties of goods, and more sophisticated goods. The report is available [here](#).

A POISON, NOT A CURE: THE CAMPAIGN TO BAN TRADE IN ILLEGALLY LOGGED TIMBER. World Growth, May 2011. The report examines the incidence of illegal logging and the international use of trade restrictions as a form of environmental protection. The authors argue that illegal logging trade bans are contrary to international trade laws and are not justified as their costs likely outweigh any potential benefits. The report is available through the [website](#).
