



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

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LEAD STORIES

Divergent Paths Plague Bonn Climate Talks

A clear divergence among countries on the future direction of climate negotiations is holding up progress at the ongoing talks in Bonn, Germany. The first four days saw discussions nearly at a standstill, with parties fighting over the agenda contents for two of the main negotiation groups – the Subsidiary Bodies on Technical and Scientific Advice and on Implementation (SBSTA and SBI, respectively). Upon resolving that hurdle, talks took on a slightly more constructive tone, with delegates expressing gratitude for the chance to get down to business.

The two-week talks – which began on 6 June – mark the halfway point between last year's Conference of the Parties (COP) in Cancun, Mexico and this December's COP in Durban, South Africa. Spirits have been raised since the global disappointment of the Copenhagen COP in 2009, with low expectations seeming to be a useful tool in achieving progress. But despite this approach working wonders in Cancun, the buzz among delegates is that Durban is indeed looking bleak.

Developing countries ramp up pressure

Developing countries lashed out at rich countries last week, accusing them of not engaging in a meaningful way in Bonn. In a veiled reference to the United States, Jorge Argüello – Argentina's ambassador and chair of the G77 and China group – suggested some parties are attempting to stall progress and prevent the possibility of a deal in Durban.

“Some parties...are determined to prejudge the results of Durban without even the chance for a

dialogue on the substance,” Argüello said. “We cannot go home [from Bonn] empty handed.”

Both the Mexican government, which holds the presidency of the COP until December, and its successor South Africa, are trying to keep the momentum of talks alive in advance of the Durban meeting. However, some delegates and observers note that coordination between the two countries is lacking and that they have yet to get clear signals from South Africa on its expectations for this year’s meeting.

In an informal open-door meeting on Saturday, South Africa called on parties to discuss their expectations for Durban. At the meeting, the G-77/China group and other developing countries insisted that Durban must first establish an extension of the Kyoto Protocol, followed by the a “balanced” operationalisation of the Cancun Agreements.

Kyoto prospects unlikely

Continued divisions between developed and developing countries have especially cast a pall over the future of the Kyoto Protocol. Kyoto’s first commitment period will expire in 2012 and several parties have already announced that they do not intend to support an extension, or “second commitment period,” of the agreement. Most recently, Canada on Thursday announced that that it would be joining Japan and Russia in rejecting a second phase of the emissions pact.

Canada’s right-leaning government – which has been critical of Kyoto in the past – was re-elected with a majority earlier this year, clearing the way for Ottawa to dig its heels in further on global climate action.

"Now that we've finished our election we can say now that Canada will not be taking a target under a second commitment period of the Kyoto Protocol," Judith Gelbman, a member of Canada's delegation, told delegates in Bonn. Canada has scored the worst of all the developed countries that signed and ratified Kyoto.

In a further blow to Kyoto, Christina Figueres, the UN’s top climate official, announced that the deadline for approving a second phase of the pact

in time for the 2012 expiration date has already passed. Even if countries could agree to a plan in Bonn, she explained, the lengthy ratification process in national parliaments would stretch beyond December of next year.

Nonetheless, developing countries generally insist on the continuation of the protocol, saying that where there is a will there is a way. Should the new negotiations fail to provide a legal agreement for cutting emissions, Kyoto will be the only remaining venue for spurring global climate action.

Trade, response measures

The question of how to deal with the unintended consequences of the measures countries take to mitigate climate change was at the forefront of the Bonn meetings. The “response measures” issue is addressed under all of the negotiating groups, making it the source of some of the early agenda-related conflicts.

The Cancun Agreements called for a forum focusing on the impact of response measures implementation. The forum would take place in Bonn and continue into Durban, with the objective of developing “modalities for the operationalisation of a work programme and a possible forum on response measures.” Since Monday, parties and observer organisations have been participating in a “special session” on the subject, with detailed presentations from parties, intergovernmental organisations, and observer organisations.

Discussions to date have shown mixed feelings on whether to develop a permanent forum on response measures. Australia, the EU, and the US have come out strongly against it, suggesting instead that existing channels be used to avoid duplicating ongoing work. For instance, the EU noted that “national communications” is one existing option for addressing response measures that could be used before moving to a forum.

The G-77/China group rebuffed the EU’s stance, saying instead that current channels are inadequate for dealing with this subject appropriately. The Africa Group also supported the idea of “a dedicated dialogue on trade issues that arise in the

climate change negotiations,” saying that there is “currently no forum to discuss these in a meaningful manner.”

In their statement, the Africa Group expressed concern that, in the absence of such a forum, the WTO Dispute Settlement Body might be forced to step in to address the response measures issue – a result that would lead to “judgments based on unclear rules and disciplines, with unpredictable outcomes.”

Most developing countries believe that the forum should address the negative impacts on developing countries that result from developed country mitigation actions by providing a space for access to information, analysis, solutions, and eventually recompense. The countries in OPEC’s oil cartel focused their arguments on the impacts of mitigation on their economies – a topic that causes many developed countries to oppose treatment of this issue at all.

ICTSD reporting; “SB 34 and AWG Highlights: Saturday, 11 June 2011,” EARTH NEGOTIATIONS BULLETIN, 13 June 2011; “Government confirms it will reject new Kyoto Protocol,” REUTERS, 9 June 2011; “US criticised over climate change stance at UN talks,” IRISH TIMES, 13 June 2011.

US, Africa Push for AGOA Extension at Tenth Annual Forum

This year’s annual forum on the African Growth and Opportunity Act (AGOA) saw United States and African ministers and officials express an overall satisfaction with the current state of the US-Africa trade relationship under the bill. Officials on both sides are pushing for the US Congress to renew the bill prior to its expiration on 30 September 2015.

Hosted in Lusaka, Zambia from 9 to 10 June, this gathering marked the tenth meeting since the law’s May 2000 inception. This year’s forum theme was “Enhanced Trade Through Increased Competitiveness, Value Addition and Deeper Regional Integration.”

Many African countries already benefit from duty-free entry for some of their products under the US’s Generalized System of Preferences. However, AGOA expands upon that list of products for those sub-Saharan countries that meet the law’s eligibility criteria. While countries must be GSP-eligible to qualify for AGOA, achieving the former does not guarantee the latter.

According to the Office of the US Trade Representative (USTR), general GSP covers approximately 4,600 products; under AGOA, that number expands to over 6,400. The USTR estimates that that number accounts for over ninety-eight percent of the products that AGOA countries export to the US.

Thirty-seven sub-Saharan countries currently benefit under AGOA, with the Democratic Republic of Congo having recently lost its eligibility; the Obama Administration announced the decision in a presidential proclamation in December, which took effect on 1 January.

Room for improvement, despite trade gains

While Zambian President Rupiah Banda nodded briefly toward the painful effects that the financial crisis had on Africa, including delays in development aid pledges, overall he was optimistic about future prospects for the continent.

In his opening remarks, Banda hailed the gains that the US-Africa agreement had brought AGOA’s beneficiaries, noting that “it is on record that more than 300,000 jobs have been created in Africa with US\$300 billion in export earnings and nearly US\$30 billion in non-oil exports to Africa at minimal cost to the United States taxpayers.”

US Trade Representative Ron Kirk expressed similar optimism, noting that last year’s non-oil imports under AGOA showed an 18 percent increase from 2009, up to US\$4 billion in 2010 alone.

Despite his positive tone, Banda emphasised that there remains room for improvement, such as shifting AGOA’s focus toward engaging in skills and knowledge transfer, and the need for a stronger push toward getting more agricultural products on US shelves.

Speaking on Washington's behalf, Kirk agreed that AGOA could be better, and that improved market access was not the only tool for doing so. "All of us – US and African, governments, farmers, and business – must work closely to make AGOA better, to fulfil its yet unfulfilled promise and potential. We must get it right and aim to have the impact we've always known possible in AGOA's second decade," he said in his opening remarks

Kirk was joined by US Secretary of State Hillary Clinton in leading the American delegation to the AGOA Forum. Both made clear that the US would continue to support of the programme: Kirk, in his remarks, stated that "the United States is committed to promoting Africa's economic growth through trade, and AGOA is a critical pillar in growing the US economic relationship with sub-Saharan nations."

Clinton, who gave closing remarks at the Forum, reminded participants that the road toward obtaining US Congress' renewal of AGOA would not be easy. She suggested that issues such as fighting corruption, improving regional integration, and accountability for results were all likely to come up in Washington discussions: "they will be asking tough questions like these, and I want us to be ready with answers."

Clinton also noted that intra-African trade was far behind intra-regional trade anywhere else in the world. While she attributed part of that problem to infrastructure, she also pinned some of the blame on the pressure that trade officials face to protect domestic industries: "Government leaders of smaller countries are concerned that larger countries will gain too much influence. Business owners worry about losing out to competitors across the border."

Despite the concerns Clinton mentioned, Kirk affirmed that the Obama Administration is committed toward pursuing Congressional renewal of AGOA beyond 2015, as doing so would "provide the predictability needed for US and African businesses, entrepreneurs, buyers, and investors."

In a nod to Sudan's January referendum that allowed the southern part of the country to

secede, Kirk mentioned that he hopes Congress will add South Sudan to AGOA eligible list, once the new country is officially independent and has met the necessary inclusion criteria. South Sudan is due to gain its independence in three weeks, despite a recent surge of violence in the area.

Demonstrating further the US' commitment to trade with sub-Saharan Africa, Kirk announced the African Competitiveness and Trade Expansion (ACTE) initiative – a programme that would devote US\$120 million over four years toward the US Agency for International Development's regional competitiveness hubs. The goal of this funding would be "to improve Africa's capacity to produce and export competitive, value-added products and to address supply-side constraints that impede African trade," Kirk said in a statement.

Kirk added that these hubs, which are in Botswana, Ghana, Kenya, and Senegal, "help make African producers more competitive by tackling cross-cutting problems in finance, transport, governance, business environment, and telecommunications."

Clinton, in an interview for public affairs show Africa360, highlighted the governance objectives of AGOA. Under the legislation, the US President must annually re-evaluate the eligibility of sub-Saharan countries for AGOA benefits. The criteria used for obtaining this eligibility include anti-corruption efforts, rule of law, protection of labour rights, poverty reduction measures, and having a market-based economy. In short, investments are conditional on meeting governance standards.

When questioned on the US' stricter standards Clinton explained that the definition of good governance has become more nuanced over the last couple of decades; she clarified that the US' goal is for investments in Africa to be sustainable, without "undermin[ing] good governance."

ICTSD reporting; "Obama calls for ceasefire in Sudan," AGENCE FRANCE-PRESSE, 15 June 2011.

OTHER NEWS

Australian Cigarette Packaging Law Hits a Nerve with Developing Countries

A debate pitting public health considerations against private intellectual property rights took centre stage at last week's meeting of the WTO's Council on Trade-Related Aspects of Intellectual Property Rights (TRIPS). At the 7-8 June meeting, members voiced diametrically opposed views on Australia's recent bill on cigarette packaging.

Australia's Tobacco Plain Packaging Bill 2011, a draft law that aims to make tobacco products less attractive to consumers, drew criticism from various members, particularly from developing country tobacco exporters. The Dominican Republic was one of the bill's strongest detractors, citing the difficulties that producers in small and medium-sized economies would face in remaining competitive in the tobacco market due to the bill.

Under the new legislation, cigarettes sold in Australia would have to be sold in packages of one colour and package shape only; health warnings would cover a significant portion of the packaging.

The Dominican Republic – a major cigarette producer – predicted that the legislation might actually backfire. Under the influence of the bill, market competition would come down to price only, as non-price factors – such as packaging – would no longer be a way for brands to compete against each other. Packaging costs would decrease, putting additional downward pressure on price. The resulting price drop, they said, might increase cigarette consumption.

While recognising Australia's right to protect the public health of its citizens, the Dominican Republic felt that the law might be inconsistent with Australia's obligations under the TRIPS agreement, particularly TRIPS Article 20 (other requirements) and Article 6bis of the Paris Convention for the Protection of Intellectual Property dealing with well-known marks, which is referred to under Article 2(1) of TRIPS.

Article 20 of the TRIPS Agreement, which pertains to trademarks, prohibits trademark usage from being “unjustifiably” held back by special requirements during the course of trade; these special requirements include the “use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings.”

The Dominican Republic felt that the special format for presenting brand names would limit the impact of trademarks in allowing consumers to distinguish cigarettes from different, competing producers – i.e. putting the Australian law at odds with Canberra's obligations under TRIPS' Article 20.

Various developing countries spoke out in agreement with the Dominican Republic's concerns, including Honduras – which discussed its own experiences regulating tobacco packaging. Honduras is also a major cigarette producer, with recent data from Tobacco International placing it at the top of Central American producers and exporters. Honduras' legislation on cigarette packaging was also amended recently, but in the opposite direction: Tegucigalpa reduced the space for health warnings on cigarette packaging from 80 percent to 50 percent. The decision, which came on 21 February, dismayed Honduran anti-tobacco groups.

Other countries backing the stance taken by the Dominican Republic and Honduras were Cuba – another major cigarette producer – Ecuador, Mexico, Nicaragua, the Philippines, Ukraine, and Zambia.

Australia, meanwhile, found allies in neighbouring New Zealand, along with Norway and Uruguay. Others, like Brazil, Chile, and China, were less sure of their stance of the subject, suggesting that the issue requires further analysis.

India, while recognising that scientific research supports the public health argument for plain packaging, noted that the TRIPS Agreement provides negative instead of positive rights for intellectual property rights holders. As such, member states can take measures focused on promoting public health objectives in line with Article 8 of the TRIPS Agreement, which states:

“Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition,” with the caveat that those measures must be “consistent” with the Agreement’s provisions.

In its own defence, Australia insisted that its law is in line with its TRIPS obligation, and that the measure is just one part of a multi-pronged approach to tackle tobacco consumption at home.

The bill would enter into force on 1 July 2012; Australia notified the WTO about the legislation on 8 April this year.

Business groups, cigarette companies in uproar

Outside the WTO, the new requirements have come under fire from US business groups, along with cigarette companies themselves. The US Chamber of Commerce, the National Association of Manufacturers, the National Foreign Trade Council, and various other US business groups issued a joint statement on 1 June outlining their concerns. They alleged that “plain packaging risks establishing a precedent of [intellectual property] destruction for an entire industry through government mandate,” while questioning the public health benefits of the proposal.

In a 6 June submission to Australia’s Department of Health and Ageing regarding the legislation, British American Tobacco Australia (BATA) – Australia’s leading cigarette company – requested more time to implement the new requirements, calling the current timetable “unrealistic.” BATA is a member of the international tobacco group British American Tobacco, which also accounts for a large part of cigarette production and sales in Central America.

BATA also voiced general opposition to the plan, regardless of the timetable. In its submission, BATA cited “significant legal obstacles to implementation” relating to intellectual property and international trade law. BATA echoed the concerns of the US business groups regarding the bill’s health benefits, insisting there was a “lack of evidence” that plain packaging would reduce tobacco consumption.

The Australian cigarette company has already submitted an appeal to the Australian Federal Court on the subject, requesting access to the legal advice that the Department of Health received about cigarette plain packaging in 1995, when a similar proposal was being considered.

According to BATA, the advice that the government received pertained to the policy’s consistency with Australia’s international commitments – information that BATA claims is necessary if the cigarette giant is to play an active role in the public debate on the subject. The court recently granted BATA’s request to move the appeal forward from November to August.

Australian Trade Minister Craig Emerson has publicly defended the measure. “It’s in the public health interests of the Australian people and the Gillard government will never give up Australia’s sovereign right to look after the health of its people,” he said in a statement.

Uruguay connection

Uruguay, which supported Australia at the TRIPS Council, has its own history with regard to the cigarette packaging debate. In Uruguay’s case, this has played out not at the WTO, but under investment law. In February 2010, Swiss-based cigarette giant Philip Morris strongly objected to Uruguay’s decision that health warnings must cover 80 percent of each cigarette package (see Bridges Weekly, 10 March 2010).

The company subsequently filed an arbitration case at the World Bank’s International Center for Settlement of Investment Disputes (ICSID) arguing that Montevideo’s regulations violate the bilateral investment treaty between Uruguay and Switzerland. The tobacco company put forward that the measure is unnecessary, and that the Uruguay decision was therefore equivalent to the country expropriating Philip Morris’ intellectual property without compensation.

Philip Morris also alleged that the South American country failed to treat its investment fairly and equitably; and had unreasonably impaired the use of its investment. As recently as May 2011, Uruguay was ready to answer Philip Morris’ claims at the tribunal, preparing a legal defence on the

grounds that public health takes precedence over company investments. The case is still ongoing.

The company's decision to challenge Uruguay under an international investment agreement highlights the different possible methods for settling investment and trade disputes. A WTO dispute would need to be taken up by a member government, while many international investment agreements permit the foreign investor to arbitrate directly with the host government.

In effect, the investor-to-state dispute mechanism extinguishes the political considerations inherent in the WTO's government-to-government procedure, including public health reasoning. Also, unlike WTO dispute settlement, investment arbitration disputes provide for compensation damages to the investor.

ICTSD reporting; "Developing nations hit at tobacco pack plan," THE AGE, 9 June 2011; "Tobacco pleads for pack delay," THE AUSTRALIAN, 8 June 2011; "Philip Morris takes Uruguay to international court because of tobacco-ban policy," MERCOPRESS, 26 May 2011; "Cigarette packaging appeal expedited," SYDNEY MORNING HERALD, 7 June 2011; "WTO won't stop plain cig packs: Minister," SYDNEY MORNING HERALD, 9 June 2011; "Congreso reforma artículo de ley para el control de tabaco," TIEMPO, 23 February 2011; "Tobacco giant Philip Morris suing Uruguay over ban," UPI, 27 May 2011.

IN BRIEF

EU, Russia Vegetable Spat Comes to Swift Conclusion at Summit

Moscow's well-publicised ban of EU fresh vegetables ended almost as quickly as it began, with Russia promising on Friday to lift the ban pending safety certifications. The import ban, which was the result of health concerns after an E. coli outbreak was deemed responsible for 37 deaths in Europe, had stalled the €600 million annual vegetable trade between the two partners for barely over a week.

Vegetable samples were scheduled to be sent to the European Federal Consumer Protection Service on Sunday or Monday; however, no findings had emerged by the time Bridges went to press on Wednesday.

"We are happy that we have agreed that the ban on vegetables from the European Union will be lifted," European Commission President José Barroso said in a [statement](#) released after EU-Russia summit on 10 June. "The system of certification of the vegetables' safety by the European Commission will be put in place without any delay."

The safety certificates will indicate the origin of vegetables coming from Europe. According to the spokesman for the EU's delegation to Moscow, Denis Danillidis, the certificates are simply a technicality and are already used by the EU domestically.

The head of the Russian Consumer Protection Agency, Gennady Onishchenko, has cautioned that the worst might not be over yet. Speaking to Interfax, Onishchenko noted that "the epidemic in Europe is not over, and therefore we will not allow any inappropriate carelessness."

Russian president Dmitry Medvedev announced the decision after reporters questioned the origin of the vegetables served at the Summit.

"There were different kinds of tomatoes on the menu," he retorted. "I don't know where they came from. Let's wait and see."

WTO accession also brought to the table

The severity of EU officials' initial response to the blanket ban led to speculation that Russia's WTO accession could be in jeopardy. The Russian measure was perceived as ill-founded and inconsistent with World Trade Organization (WTO) rules, an allegation that Russia flatly denied. (See Bridges Weekly, [8 June 2011](#))

Despite the recent tension, the ban seems to have done no permanent damage to Russia's WTO prospects.

“I called upon our partners in the EU to finish the negotiations literally within a month in order to make it to the procedure of signing the documents on Russia’s WTO accession by the end of the year,” Medvedev proclaimed at the concluding joint news conference.

Russia’s confidence was not entirely matched by the EU, as issues such as EU farm goods and car assembly rules in Russia continue to be areas of contention. Both Barroso and EU President Herman Van Rompuy have also expressed unease regarding Russia’s human rights record, rule of law, and Moscow’s treatment of foreign businesses entering Russian markets.

Trade between the EU and Russia hit €212.4 billion in 2010, making the 27 nation bloc Russia’s largest trade partner and origin of foreign investment. Meanwhile, Russia is the EU’s main supplier of natural gas.

ICTSD reporting; “Russia set to end EU vegetable import ban,” REUTERS, 10 June 2011; “From cukes to nukes,” ECONOMIST, 9 June 2011; “Medvedev Promises to Lift EU Vegetable Ban,” MOSCOW TIMES, 14 June 2011.

G-20 Urged to Accept Updated Anti-Hunger Proposal

The United Nations World Food Programme (WFP), along with other international organisations working on food policy, is [proposing](#) to the G-20 group of leading economies a system of physical and virtual reserves to tackle extreme cases of hunger. The idea is expected by several experts to be a tangible outcome of meetings this year between the economic superpowers.

A source familiar with early drafts of the proposal described consensus among experts that the current text was “better than the original,” which has been under discussion since early May.

The WFP’s other collaborators in the recently updated and released report were the Organisation for Economic Co-operation and Development (OECD), the World Bank, and the United

Nations Food and Agriculture Organization (FAO), among others.

In language that is distinct from the rest of the collaborative report, the WFP suggests that G-20 governments support “forward positioning,” i.e. the purchase of food ahead of crises. They also urge the G-20 to back the creation of a regional reserves system that would provide, under emergency conditions, temporary support to the 70 nations in Africa, Asia, Central America, Eastern Europe, and Oceania that the FAO has classified as Low-Income Food Deficit Countries.

The WFP took pains to emphasise that the Pre-Positioning for Predictable Access and Resilience (PREPARE) system would not be a buffer stock system intended to influence price movements. Rather, the agency argues, it would use market principles and sound management to ensure that the system recovers money spent on operating costs.

Compliance with WTO rules, particularly [Annex 2 of the Agreement on Agriculture](#), is central for the legitimacy of the reserve system, which will ostensibly be orchestrated by the WFP.

According to experts that spoke to Bridges, the World Food Programme has historically been hampered by funding earmarks, preventing it from acting swiftly to curb the worst cases of hunger.

To work around this, the proposed PREPARE system would physically manage 30 days of grains for those most at risk of hunger, while using a system of virtual reserves to make up the difference for an additional 30 days. The actual purchasing mechanism, the price offered to recipients of the reserve, and various other details has yet to be worked out.

While free of political conflict, proposal carries risks

A collaborator of the inter-agency report admitted that although some of the figures, such as the 30 days of food supply, were not based on any available research, it was “now or never” for the WFP. He added that the proposal was “low hanging fruit” and didn’t suffer from the political conflict inherent in the report’s recommendations

regarding other available trade policy measures, such as biofuels or export restrictions.

Responding to questions on whether such an emergency system would allow countries to evade their domestic responsibilities on food security, Stuart Clark of the Canadian Food Grains Bank told Bridges that such a system should not be seen as “a substitute for a sensible food security policy.” Other experts on stocks and reserves admitted that the system does risk carrying a “moral hazard,” if funding is plentiful.

According to the report, the WFP would like to test pilot programmes as early as December of this year, provided they gain the G-20’s support.

Commenting on the proposal, Christopher Gilbert of the University of Trento in Italy noted that “the worry is not what might actually be proposed, but that the proposal may be used for more extensive intervention.” He suggested that the proposal’s possible weakness would be how it prevents aid from going to unintended recipients and whether it appropriately defines targets to provide relief.

The proposal may be an important opportunity for the G-20 to prove its mettle. Gilbert added that if the group doesn’t come up with something now, then it “won’t matter.”

ICTSD reporting.

Egypt-to-South Africa Free Trade Zone on the Move

African leaders met this weekend to renew their push for a free trade zone that would stretch from Egypt to South Africa. The zone would connect 590 million consumers in the 26 member countries of three existing trade blocs: the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), and the South African Development Community (SADC).

The 12 June gathering was only the second major meeting on the subject, with the first one being a summit in October 2008. At this weekend’s meeting, South African Trade Minister Rob Davies announced a three-year time frame for

developing the trade zone, which is often referred to as the Tripartite Free Trade Agreement, or the Grand Free Trade Area.

According to Davies, the trade zone negotiations will occur in two phases: phase one will focus on reaching an agreement on goods trade and the removal of tariff barriers, and phase two will focus on trade in services and intellectual property. Notably, membership in the tripartite agreement would not require member countries to renegotiate existing trade pacts.

The zone’s objective is to stimulate intra-African trade, which the [UN Economic Commission for Africa](#) estimates at being between 10 and 12 percent.

The Wednesday prior to the summit, Davies extolled the proposed bloc’s potential benefits in an article published in South African newspaper *The Independent*. He noted that such a large regional zone would have the potential to diversify markets, increase foreign investment and business market accessibility, and provide more opportunities for development and poverty reduction.

The trade zone would also resolve redundancies and ambiguities in the existing system, as the COMESA, EAC, and SADC blocs have substantial overlaps in country membership. Davies argued that the current arrangement “raises the transaction costs of trade and hinders efforts to deepen regional economic integration.”

The Grand Free Trade Zone also came up at this weekend’s African Growth and Opportunity (AGO) Forum (see the lead story in this issue). US Secretary of State Hillary Clinton, in her [closing remarks](#) at the event, addressed the importance of a tripartite agreement, emphasising that “expanding trade within Africa is one of the best ways to promote growth, to put more pay checks into pockets.” Between the 26 member countries, the free trade zone would result in a combined gross domestic product (GDP) of approximately US\$624 billion.

The road to establishing this new trade zone is likely to have some challenges, however. In his [closing remarks](#) at the end of this weekend’s

summit, South African Prime Minister Jacob Zuma noted that the tripartite agreement would be challenged by “uneven and unequal development between countries and regions, economies of scale, trade integration, supply chain and manufacturing output constraints, as well as infrastructure limitations.”

Given these challenges, critics have voiced concerns that the Grand Free Trade Area may take much longer to implement than the proposed timeframe. Some critics have argued that efforts should first focus on fully integrating the SADC before attempting to implement the expansive cross-continental trade deal.

“Three years to launch African free trade zone: minister,” Agence France-Presse, 14 June 2011; “Cape to Cairo Trade Bloc Plans to Forge Market of Half a Billion Consumers,” Bloomberg News, 10 June 2011; “Trade experts see Cape-to-Cairo free trade area as pie in the sky,” Independent Online, 14 June 2011; “Tripartite FTA is key to dismantling the ‘spaghetti bowl,’” Independent Online, 8 June 2011; “AGOA forum productive,” Zambia Daily Mail, 11 June 2011.

WTO IN BRIEF

Indian Farm Subsidy Regime Sees Growth

After going several years without releasing updates, the Indian government recently notified the WTO of increases in its farm subsidies. Agricultural support grew from US\$9 billion to nearly US\$15 billion between marketing year 1998-99 and 2003-04, according to the report from 9 June.

The subsidies reported to the WTO are made up of 'green box' payments (which are supposed to cause only minimal trade distortion), along with another category of support that only developing countries are allowed to use for subsidising agricultural investments and inputs for poor producers.

Under these latter subsidies, by far the largest amount reported was attributed to agricultural input subsidies to “low income or resource poor producers” – including support for fertilisers, irrigation, electricity and seeds. These payments rose from around US\$6.7 billion in the 1998-99 marketing year to over US\$9 billion in 2003-04, according to the government's report.

The lion's share of India's green box payments were allocated to food grain for buffer stock operations, and categorised under WTO rules as “public stockholding for food security purposes.” Support in this category rose from a little over US\$2 billion in 1998-99 to around US\$5.5 billion in 2003-04, the new figures show.

While larger than the amounts of green box support provided by several other developing countries, India's payments in this category are considerably lower than the level of support provided by China, which in 2004 provided around US\$37 billion in green box subsidies to its agricultural sector. It also is lower than the level of green box payments provided by the EU (US\$78 billion in 2007) and by the US (US\$82 billion in 2008) – although both the US and EU also provided trade-distorting support.

No trade-distorting support was provided in India's case, the report indicates.

“The [support] numbers that we're talking here are not outrageously huge,” one Geneva trade negotiator told Bridges.

Belated farm subsidy notifications a widespread problem

The official observed that the subsidy notification was “a positive contribution” to transparency over the country's farm subsidy regime, whilst noting that post-2004 data had still to be reported to the global trade body. Several WTO members have repeatedly been late in submitting their obligatory regular reports on farm spending to the WTO, sometimes hampering efforts to discuss subsidy commitments under the troubled Doha Round of trade negotiations.

Delegates noted that the subsidy report was unlikely to be discussed at the WTO's regular

Committee on Agriculture meeting next Thursday, as it had been submitted too close to the meeting date. Nonetheless, agricultural exporting countries in particular are likely to look closely at the data ahead of the following committee meeting, trade officials said.

ICTSD reporting.

EVENTS & RESOURCES

Events

16 June 2011, Washington US. TRADE FACILITATION CONFERENCE. This conference, hosted by the World Bank, aims to disseminate information regarding ongoing activities, publications, and products developed by the International Trade Department (PRMTR) that focus on improving trade competitiveness in developing countries. The event features three sessions: Performance Measurement and New Connectivity Tools for Trade Facilitation; New Approaches to Border Management; and Implementation of Trade Facilitation Projects and the Trade Facilitation Facility (TFF). More information is available on the [event website](#).

20-24 June, Geneva, Switzerland. FIFTH MEETING OF THE CONFERENCE OF THE PARTIES TO THE ROTTERDAM CONVENTION (PIC COP 5). The fifth meeting of the Conference of the Parties to the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (PIC COP 5) will consider the recommendation of the Chemical Review Committee to list endosulfan and azinphos methyl in Annex III to the Convention. For further information please consult the [event website](#).

20 June-15 July, online. UNITAR/WTI COURSE ON TRADE AND CLIMATE CHANGE. Offered by the UN Institute for Training and Research and the World Trade Institute, this course explores key legal and economic issues arising from the climate change debate, including the relationship between the WTO Agreement and multilateral environmental agreements

(MEAs) that address climate change. It also examines the legality under international trade rules of measures designed to reduce greenhouse gas emissions, along with those measures designed to influence the behaviour of trading partners. For further information please consult the [course website](#).

22-24 June, Geneva, Switzerland. UNCTAD PUBLIC SYMPOSIUM: MAKING TRADE AND FINANCE WORK FOR PEOPLE AND THE PLANET. The third annual UNCTAD Public Symposium provides a venue for a multilateral dialogue on topics likely to dominate the global politics agenda in 2011 and 2012. The themes of the symposium include global and regional initiatives for financial and monetary reforms that promote sustainable development; and making the transition to a green economy fair and equitable. Participants from civil society, the private sector, parliamentarians, academia, the media, international organisations and governments will be invited to discuss these issues. For more information, visit the [event website](#).

24 June, Geneva, Switzerland. POLICY FORUM: GLOBALIZATION AND LABOUR MARKET OUTCOMES. This policy forum, organized by the International Labour Office, the World Bank, CESifo, and European Firms in a Global Economy (EFIGE), will discuss recent academic research on the impact of trade and investment liberalization on employment. The event will present the findings of a preceding academic workshop on the topic of globalisation and labour markets, and offer a platform for leading researchers in the field to discuss their work with policy practitioners. The meeting will also feature presentations by the International Labour Office, the World Bank, the World Trade Organization, OECD, and European Firms in a Global Economy (EFIGE). The keynote address will be given by Margaret McMillan of the International Food Policy Research Institute and Tufts University. For more information, visit the [event website](#).

WTO Events

An updated list of forthcoming WTO meetings is posted [here](#). 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 only open to WTO Members and accredited observers only.

15-16 June: Committee on Technical Barriers to Trade

17 June: Dispute Settlement Body

20 and 22 June: Trade Policy Review Body – Canada

20 June: Working Party on Domestic Regulation

21 June: Committee on Trade in Financial Services

22 June: Working Party on GATS Rules

22 June: Informal Trade Negotiations Committee

Other Upcoming Events

27-28 June, Paris, France. RECONCILING POVERTY ERADICATION AND QUALITY OF THE ENVIRONMENT: WHAT ARE THE INNOVATIVE SOLUTIONS? This conference, organised by the Veolia Environment Institute and the Agence Française de Développement, will bring together French and international high level speakers. Topics discussed include poverty and environmental degradation in the context of this year's upcoming Group of 20 meeting and the 2012 Rio+20 conference. More information is available on the [event website](#).

11-13 September, Geneva, Switzerland. THIRTEENTH ANNUAL BIOECON CONFERENCE. The topic of this year's Annual BIOECON Conference is "Resource Economics, Biodiversity Conservation and Development." The event will include sessions on: plant genetic resources and food security issues, deforestation and development, fisheries and institutional adaptation, development and conservation, international trade and regulation, and a variety of other related topics. The conference will also

include a policy forum focusing on the creation of international mechanisms for financing biological diversity conservation. A call for papers and further information is available on the [event website](#).

Resources

OECD-FAO AGRICULTURAL OUTLOOK 2011-2020. By the Organisation for Economic Co-operation and Development (OECD) and the United Nations Food and Agricultural Organization (FAO) (17 June 2011). This report, prepared jointly by the OECD and the FAO, projects 2011-2020 world market trends for biofuels, cereals, oilseeds, sugar, meats, dairy products, and fisheries. The projections were determined through close co-operation with national experts in OECD and non-OECD countries. The report also includes an evaluation of recent developments, key issues, and uncertainties in these commodity markets. The report will be available on the Agricultural Outlook [website](#) as of 17 June.

AFRICAN ECONOMIC OUTLOOK 2011. By the African Development Bank, OECD Development Centre, United Nations Development Programme, and the United Nations Economic Commission for Africa (6 June 2011). This year's African Economic Outlook finds that, while food and fuel prices may slow Africa's growth in 2011, the continent is likely to rebound in 2012. Additionally, Africa is becoming more integrated in the world economy, and has benefitted from new trade partnerships with emerging markets, including Brazil, China, India, Korea, and Turkey. The report also suggests that regional co-ordination and integration is important for private sector growth and the development of regional investment opportunities. The report is available on the OECD [website](#).

MAPPING HOTSPOTS OF CLIMATE CHANGE AND FOOD INSECURITY IN GLOBAL TROPICS. By the Consultative Group on International Agricultural Research (CGIAR) Research Program on Climate Change, Agriculture

and Food Security (CCAFS) (3 June 2011). In this study, researchers created a series of detailed maps, based on food security indicators (availability, access, and utilisation) and climate models. From there, they identified areas that are already subject to climate shifts, with survival dependent on regional crop and livestock yields, and which already have chronic food problems. These “hotspots” of vulnerability were primarily found to be in Africa and South Asia, but also potentially in China and Latin America. The report is available on the CCAFS [website](#).

BUSINESS CYCLES IN EMERGING MARKETS: THE ROLE OF DURABLE GOODS AND FINANCIAL FRICTIONS. By Fernando Alvarez-Parra, Luis Brandao Marques, and Manuel Toledo at the International Monetary Fund (1 June 2011). This paper examines how durable goods and financial frictions shape the business cycle of an emerging market economy, subject to shocks to trend and transitory shocks. The model simulation implies that shocks to trend play a less important role than previously documented. The authors conclude that financial frictions improve the ability of the model to account for some key business cycle properties of emerging economies. The paper is available on the International Monetary Fund [website](#).