



# Bridges Weekly Trade News Digest

*Weekly trade news from a sustainable development perspective*

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## LEAD STORIES

### Troubled State of Doha Talks Causing WTO “Paralysis,” Says Lamy; Focus for December Ministerial Shifts

The embattled Doha Round of trade talks took another twist this week, as WTO members acknowledged that the Doha mini-package that they have been working toward since late May is no longer looking plausible for this year’s December ministerial. As the WTO breaks for its August recess, minds have forcibly turned to a pro-active quest for credible pathways away from the repeated setbacks in resolving the ten-year negotiations.

Members have been unable to reach consensus on what to include in the mini-deal proposed in late May, agreeing only that the needs of least-developed countries (LDCs) must be at the forefront of any deliverables that come out of the December meeting.

Disagreements over which non-LDC issues, if any, should be included in an abridged Doha deal – i.e. an LDC-plus package – has largely been blamed for causing the discord among members. However, Tuesday’s meeting of the Trade Negotiations Committee (TNC), the ad-hoc body tasked with the Doha Development Agenda, also revealed dissent among members as to which LDC-specific issues may be pushed forward.

Reporting back on the last few weeks of consultations, which included a Green Room and meetings with coordinators of various country groupings and negotiating groups, WTO Director-General Pascal Lamy openly expressed his frustration at the current state of the talks.

Lamy told members that “what we are seeing today is the paralysis in the negotiating function of

the WTO, whether it is on market access or on the rule-making. What we are facing is the inability of the WTO to adapt and adjust to emerging global trade priorities.”

He added that members should come back from the August recess prepared to “fully engage in an ‘adult conversation’ over ‘what next.’”

At the TNC meeting, Lamy outlined a two-track plan for moving forward between now and the December ministerial. One track would involve non-Doha items, about which Nigeria’s ambassador, Yonov Frederick Agah, the chairman of the General Council – the WTO’s highest decision-making body – has been consulting with members on, and discussed at the 27 July General Council meeting. The second track involves the plan for resolving the Doha situation after the ministerial.

Lamy also urged that talks continue in parallel to see if members can come up with some Doha LDC deliverables for the December gathering.

### **Any LDC deliverables for December?**

The US was one of the countries that pushed against continuing the pursuit of a smaller LDC-only package for the December ministerial. US Ambassador Michael Punke, speaking to the TNC, stressed that, while he understood “instinctively the temptation to say ‘let’s keep trying,’” at the same time “continuing our efforts for an Early Harvest without prospect of success comes at a significant cost, crowding out essential work on preparations for the ministerial.”

Punke did add, however, that “we are certainly open to a creative discussion of development issues,” even if the prospect of securing an “early harvest” seemed nil.

WTO members expressed their general consternation at the Doha Round’s current state, with some noting that the ten-year talks largely resembled a “soap opera.” Members especially stressed the need to make some progress in assisting LDCs, recalling the development-focused mandate from the 2005 Hong Kong ministerial.

China ambassador Yi Xiaozhun urged that “a small package by December would keep the Round alive and keep the ball of single undertaking rolling. Moreover, if [the eighth ministerial] has nothing to deliver on Doha, not even on the needs of the LDCs, the credibility of the WTO will be jeopardised.”

Yi added that the December ministerial, and the global trade body on a broader level, must address the concerns of LDCs, given that “commitments were already made in favour of the LDCs long before at [the sixth ministerial] in Hong Kong. It is about time to implement them without further delay.”

The EU also weighed in on the need to advance LDC issues in some capacity at the 8<sup>th</sup> WTO Ministerial Conference, insisting that issues such as improved rules of origin, an LDC services waiver, and duty-free, quota-free (DFQF) market access for LDCs “ought to be doable without payment for anyone, as long as all main players make a contribution.”

Furthermore, the EU called for progress on the draft Trade Facilitation Agreement, noting that it would “represent a genuine win/win outcome for the WTO membership as a whole, with all parties gaining and contributing.” This view was supported by Indonesia, speaking on behalf of ASEAN at the meeting.

Other countries pushing for LDC deliverables at the December meeting included Kenya, speaking on the behalf of the African Group; Kenya noted that a small package might be feasible with sufficient goodwill, but cautioned against reducing the package from anything less than DFQF, the services waiver, and a step forward on cotton, as further cuts could eventually lead to no package at all.

Brazil, on its own behalf, added that the credibility of any post-ministerial outcomes would begin with something for LDCs. Various members stressed that further delays in providing LDC deliverables would also come at significant costs to those countries.

## Non-DDA issues for the ministerial

At the 27 July meeting of the General Council, Chairman Agah outlined the results of consultations he has been holding with members on the non-Doha items that might feature on the ministerial agenda in December. He stressed that members need to “first, develop a common view on what we want this conference to do, and how we should do it,” and then look at issues in more detail.

Agah added that this December’s ministerial would have to be different than the previous one in 2009, given that there is now “more at stake” – including, according to some critics, the credibility of the global trade body. Various countries, including the EU and China, reiterated the concern that the global trade body’s reputation is in a difficult position, with the EU insisting that “We need a common view on where the WTO is headed in the future.” Agah stressed that the 2011 ministerial will need to send the message that the WTO is more than just the Doha Round.

The General Council Chair encouraged that the non-Doha items be structured around two themes: WTO work from now through the end of 2011, and WTO work after 2011, possibly up to the ninth ministerial in 2013.

In the case of the former, some of the ideas that had resulted from consultations included a development focus, such as the Aid for Trade initiative and issues relating to LDCs and small and vulnerable economies (SVEs), along with improving the Trade Policy Review mechanism and the monitoring mechanisms that evaluate protectionism surges in relation to the global economic crisis. Another item that came up in discussions, which the EU supported at the meeting, was a possible transparency mechanism for regional trade agreements.

With regards to WTO work post-2011, Agah noted that various “21st century issues” were being suggested for inclusion, such as climate change, food security, and currency exchange rates.

At the meeting, Bangladesh emphasised the importance of the food security issue for net food

importing developing countries; this issue has become more prominent given that these countries especially feel the effects of rising food price, along with the impacts of export restrictions in other countries.

Agah cautioned that members would need to avoid taking a “Christmas tree” approach to deciding what to include in the December agenda, given the short time frame – especially given that Lamy would be holding parallel consultations in the fall on Doha-related issues within the TNC.

The development theme of the Doha discussions at the previous day’s TNC carried over into the General Council’s talks on non-DDA items, featuring in the statements of various countries.

The decision to put a greater focus on non-DDA items between now and the December ministerial is reminiscent of the decision to focus on non-Doha issues at the seventh WTO ministerial in 2009, when Doha topics were originally put on the backburner to deal with “housekeeping” subjects. While in that case, Doha was not even featured on the official agenda, the ministerial did end with an unexpected political push to move the trade talks forward (see Bridges Weekly, [9 December 2009](#)).

The housekeeping issues that ended up being placed on the agenda in 2009, however, were only on the extension of the moratoriums on the Trade-Related Aspects of Intellectual Property Agreement (TRIPS) ‘non-violation’ complaints and e-commerce tariffs. A proposal led by India and backed by various developed and developing country members entitled ‘strengthening the multilateral trading system’ was dropped from the 2009 agenda after Bolivia, Cuba, Ecuador, Nicaragua, and Venezuela showed some resistance, as there was an informal agreement among negotiators that issues to be decided on at the ministerial would require consensus approval. (Bridges Daily Updates, [30 November 2009](#)). Observers, including the publishers of BRIDGES, have long been highlighting the urgency for the WTO to embark on a programme along the lines of the 2009 Indian proposal. “The hope remains for the 8<sup>th</sup> Ministerial Conference in December to embrace such a way forward” commented Ricardo Meléndez-Ortiz of ICTSD.

ICTSD reporting.

## OTHER NEWS

### Mandate on TK, Genetic Resources, Cultural Expression to be Extended: WIPO

Members of the committee that negotiates genetic resources and related subjects at the World Intellectual Property Organization (WIPO) have agreed to recommend the renewal of their mandate, which is set to expire this year. The recommendation, which was drafted at the 18-22 July meeting of the WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC), will be submitted to WIPO's General Assembly (GA) in late September for formal adoption.

Members also decided to forward to the next IGC meeting draft text prepared during last week's meeting by "facilitators" nominated by the chair, as well as textual proposals introduced by a group of like-minded developing countries.

While all members had supported the mandate extension, there remained disagreement on the desired number of meetings during the next two years, as well as the focus of future talks. Developing countries have argued in favour of additional IGC sessions and a strong focus on genetic resources (GR), which is currently the least advanced subject under the committee's mandate.

"All three areas need to proceed in parallel," a delegate speaking on behalf of a large developing country group told Bridges. "As genetic resources is lagging behind, we need to intensify our efforts to move towards draft text that is equally matured as the one on traditional knowledge and traditional cultural expressions."

A hotly debated issue that resurfaced was the nature of the future instrument(s). "There has been some discussion about international binding legal instruments and mention of a Diplomatic

Conference," Albert Tramosch from the US Patent and Trademark Office noted. "If we talk of a Diplomatic Conference, does that presuppose a binding legal instrument, or can it be convened to discuss an instrument other than a binding instrument?" Tramosch asked in plenary on the US' behalf.

The current mandate of the IGC calls for "one or more instrument(s) ensuring the effective protection of GR, traditional knowledge (TK) and traditional cultural expressions (TCEs)." Whether the instrument(s) need to be legally binding treaties or could take the form of declarations has not yet been decided. A large number of developing countries have backed a legally binding treaty in the past, while some developed countries have also shown readiness to adopt one or more treaties. The US, however, has been less supportive, suggesting the matter be decided at a later stage.

WIPO Legal Counsel clarified that a Diplomatic Conference, in the organisation's experience, would only need to be convened for the adoption of a legally binding instrument, and that the General Assembly has adopted non-binding recommendations in the past.

The final IGC recommendation reflects this discussion. It proposes four IGC meetings and calls upon the 2012 GA to "decide on convening a diplomatic conference" and "consider the need for additional meetings." The first IGC in 2012 will last eight days and focus exclusively on GR. Members have called it a "good compromise taking account of all interests."

### Developing countries push forward with draft proposals

A group of "like-minded developing countries" (LMC) spiced up last week's meeting by introducing three draft texts on traditional cultural expressions (TCEs), traditional knowledge (TK), and GR. The proposals are the outcome of group consultations that were initiated by Indonesia in Bali in late June. As the Bali papers were introduced only halfway through the Committee's meeting, no substantive discussions took place on that basis. Some European officials, speaking

informally, however, called the proposal “well balanced” and a “basis for future talks.”

In the LMC proposal on genetic resources, following previous positions, a strong focus rests on a “mandatory disclosure requirement in intellectual property applications.” In addition, the proposal aims at establishing a clear link between the future instrument and the Convention on Biological Diversity (CBD), as it calls upon “contracting parties” to “support the implementation of the Nagoya Protocol.”

The LMC noted that a WIPO instrument on genetic resources could only be effective if it was systematically linked to the protection regime put in place by the Nagoya Protocol. It would need to introduce complementary elements such as a mandatory disclosure requirement. This, however, continues to be highly controversial and members have not yet started to discuss potential text for a GR instrument.

“The challenge is how to achieve that members finally start negotiating substantive provisions,” an LMC delegate told Bridges. “We need to stop tip-toeing around the issues and starting talking about real options and possible compromises.”

“I see our text as a starting point,” the delegate added.

Members agreed to forward the proposals as working documents to the next IGC, a decision that the LMC valued as a great success.

The group of like-minded developing countries consists of Algeria, Angola, Bangladesh, Colombia, Egypt, India, Indonesia, Malaysia, Myanmar, Namibia, Pakistan, Peru, South Africa, Tanzania, Thailand, and Zimbabwe.

#### **“Facilitators” requested to clean text**

Meanwhile the Committee’s Chair, Ambassador Philip Owade of Kenya, nominated five “facilitators” to assist in cleaning existing draft texts of duplications and repetitions and to informally consult with members on whether certain proposals could be eliminated. The facilitators’ documents still contain various alternatives and options. These are clustered

among two different “policy approaches” – one being of rather abstract nature with a limited scope of protection and the other following a rights-based, prescriptive approach.

While all three texts were welcomed by members, the draft text on genetic resources prepared by the facilitators from India and Australia provoked discomfort among some members as they saw their proposals eliminated. Responding to Venezuela who had criticised the text as unbalanced, the US said that some of its own positions had also been eliminated but that it would take this as “an indication that its positions had not received sufficient support” and that this was an opportunity to revisit some proposals.

Indigenous peoples said they saw none of their positions reflected in the facilitators’ documents. Members agreed to forward the texts as working documents to the next IGC, in addition to the draft articles that had been the basis of the facilitators’ work.

In the case of the mandate decision, strong criticism by indigenous peoples groups earlier this year, mainly over their inability to make proposals and participate in text drafting unless supported by a member state, appears to have had an impact (see Bridges Weekly, [18 May 2011](#)). The final decision to be adopted by the GA calls for the Committee to review its procedures and for the Secretariat to prepare a study on current practices and possible options for eliciting a positive contribution.

The next WIPO GA, scheduled for 26 September to 5 October 2011, is expected to adopt the decision as proposed by the IGC, opening space for the 20th IGC to take place in February 2012. It will be an extended IGC of eight days to focus exclusively on GR, with the aim of speeding up talks to allow all three areas to proceed in parallel again.

ICTSD reporting.

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## Passage of US FTAs Likely Delayed until after August Recess, with Possible Way Forward in Sight

The beleaguered process of ratifying the US trade pacts with Colombia, Panama, and South Korea is unlikely to conclude before the US Congress goes on its August recess next week, as Republicans and Democrats continue sparring over worker aid and the federal debt limit. However, talks of a compromise have begun to emerge for the passage of both these FTAs and the worker aid programme when Congress returns in September.

US Trade Representative Ron Kirk, speaking on Tuesday, insisted that he was optimistic that the three FTAs would be able to pass when Congress returns from its recess in September. “We believe we have a framework for an agreement that will allow us very quickly when Congress reconvenes in September to approve and have a vote on Trade Adjustment Assistance and allow us to move forward on the free trade agreements at the same time,” Kirk said.

Senate Minority Leader Mitch McConnell, a Republican, confirmed in a [statement](#) on 21 July that the trade pacts will likely wait until Congress is back in session in September. “We’ve got a lot of other urgent business to take care of around here. So I don’t expect to finish any of this before August. Still, I think the Administration should submit them anyway as a show of good faith with our trading allies in Korea, Colombia, and Panama. Then we can work to pass them when we return,” he said.

The Trade Adjustment Assistance (TAA) programme, which provides assistance to US workers displaced as a result of foreign competition, has been in place for several decades. An extension that, among other changes, added workers displaced by services competition to those covered under the programme, was passed in 2009; the extension, however, expired earlier this year.

The White House announced in May that it wanted the TAA extension to be reauthorized before the ratification of the three FTAs; many Democrats have since pushed for the worker aid

programme to be attached to the FTA with Korea – the largest of the three – to ensure its passage. (See Bridges Weekly, [1 June 2011](#))

The free trade pacts, which are expected to bring a US\$13 billion boost to US export revenue, struggled their way through the mock mark-up in committee earlier this month, with Republicans pushing against the inclusion of TAA in the same implementing legislation of one or all of the trade pacts (see Bridges Weekly, [6 July 2011](#))

While last week 12 Republican US Senators, led by Rob Portman of the US state of Ohio and Roy Blunt of Missouri, came forward to say that they would not oppose TAA – a move that would ease the passage of the bill in the Democrat-held Senate – the administration of US President Barack Obama has insisted on more specifics from leaders in both chambers of Congress.

On 27 July, House Ways and Means Chairman Dave Camp, a Republican, outlined for the first time a possible way forward for both the FTAs and TAA for when Congress is back in session in September. Speaking to the US Chamber of Commerce, Camp discussed a general agreement among congressional leaders that the worker aid programme would first pass in the Senate, after which Obama would send the trade pacts to Congress for ratification. The House would vote on the trade deals and TAA simultaneously, though as separate bills.

Talks between the White House and congressional leadership on how to proceed were still ongoing by the time Bridges Weekly went to press on 28 July, however.

Sallie James, a trade policy analyst at the Washington-based Cato Institute, a libertarian think tank, commented to Bridges that, should TAA be sent to Congress first and fail, it is difficult to predict what might happen. This uncertainty could explain part of the White House’s reticence to agree to compromise until knowing more specifics about the plan on a procedural level. The situation is further complicated by “both sides hav[ing] fairly entrenched positions on Trade Adjustment Assistance” that, to a degree, reflects their “ideological stance on trade.”



While the fight over TAA has dominated many of the headlines regarding the trade pacts, some critics find that the discussion is merely a distraction from some of the other issues at play. Lori Wallach, director of Public Citizen's Global Trade Watch, described the worker aid controversy as a "tactical diversion."

She commented to Bridges that many of the provisions in the FTAs are still a source of controversy among Democrats, such as concerns over labour standards with regards to the Colombia trade agreement and potential limits on financial services regulation. She added that, the closer it gets to the 2012 presidential election, the more difficult it will get to pass the agreements.

### **Debt talks continue to dominate Congressional agenda**

The US national debt situation has provided an additional dimension to the talks, with Republicans unwilling to agree to spending money on the TAA extension in a time of fiscal difficulty. The debt talks have dominated talks in Washington over the past couple of weeks, making it difficult to move other legislation forward.

Obama has spent the last several weeks attempting to negotiate both a series of deficit reduction measures and a possible raising of the federal debt limit. Should the discussions fail to lead to a deal by 2 August, the US government may default on its debt – a result that some warn might lead to another global recession.

Credit rating agencies have cautioned that they might downgrade the United States' famously strong triple-A sovereign credit rating, and some market analysts predict that this could occur that even if a deal is reached by the 2 August deadline.

James commented to Bridges that, in the current spending climate, given the level of spending that would be required to fund the TAA extension, "a lot of Republicans are questioning, in my mind quite rightly, the rationale of this programme" – i.e. why single out only those workers displaced by foreign competition for assistance. She noted that this question is key to the debate on TAA, though

spending and efficiency are still key dimensions of the discussion.

James also noted that the political dynamic regarding these trade bills remains difficult, despite the repeated push to get these agreements ratified soon: "What does it say about Washington when they can't pass these programs even when they agree on them?"

### **Growing EU-South Korea trade creating fear that US is falling behind**

Frustration, meanwhile, is growing among the trade deals' supporters over the delay, as Colombia, Korea, and Panama build their relationships with other trade partners. Korea's FTA with the EU, which went into force on 1 July, has already caused double-digit growth in trade between the two countries within the first two weeks of its implementation, according to South Korean customs data.

Meanwhile, the leader of South Korea's main opposition party is calling for a major overhaul of his country's agreement with the US, according to the Wall Street Journal. Soh Kay-kyu, who chairs the opposition Democratic Party in South Korea, stressed that while his party does not disagree with the FTA overall, they would like to see some changes.

Among the changes that the opposition party would like to see are new Korean laws that would provide assistance to companies and individuals hurt by the trade deal's effects– i.e. a Korean version of the worker aid programme that has caused such controversy in the US.

US Secretary of State Hillary Clinton, speaking at the US Chamber of Commerce in Hong Kong last week, pushed for the US-Korea FTA – the largest of the three – to move forward, noting that this trade deal "isn't simply about who pays what tariffs at our borders. It is a deeper commitment to creating conditions to let both our nations prosper as our companies compete fairly."

ICTSD reporting; "Deal or no deal? US downgrade looking likely," ASSOCIATED PRESS, 27 July 2011; "Republicans clear way for worker aid, trade bills," ASSOCIATED PRESS,

23 July 2011; "Camp Outlines Plan to Move Trade Pacts," CONGRESSIONAL QUARTERLY, 27 July 2011; "Senate Republicans vow to break trade impasse; Dems not sold," THE HILL, 22 July 2011; "Kirk hopes for September approval of trade deals," REUTERS, 26 July 2011; "Republican senators won't block US retraining bill," REUTERS, 22 July 2011; "Korean Opposition Knocks U.S. Deal," THE WALL STREET JOURNAL, 21 July 2011; "White House, Congress Creep Closer to Trade Deal," WALL STREET JOURNAL, 28 July 2011; "Clinton terms Korea-US FTA 'model agreement,'" YONHAP NEWS, 25 July 2011.

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## Food Access Key as Horn of Africa Crisis Worsens, Say Agencies

The UN has officially declared a famine in parts of Somalia, as the food crisis in the Horn of Africa continues to worsen. Aid agencies are warning that allowing food to move freely in the region is key to preventing the humanitarian situation from deteriorating further.

Mark Bowden, the UN's Humanitarian Coordinator for Somalia, cautioned that inaction would mean that famine could spread to all eight regions of southern Somalia within two months, due to poor harvests and infectious disease outbreaks. The UN has called for emergency assistance to help those in need.

Meanwhile, the head of the International Food Policy Research Institute (IFPRI) cautioned that countries need to keep international and cross-border trade open, as part of a package of short and long term measures.

"Do not introduce export bans within the region," warned the body's Director-General, Shenggen Fan. "While such bans may help secure the domestic food supply, they can also lead to starvation in neighbouring countries, which will exacerbate the crisis," he said in a statement.

Aid agencies are also arguing that governments and other groups must allow food to move freely within the region so that hungry people can gain

access to it.

"There is food in the region, but it's not moving around" Ruth Kelly, Economic Policy Advisor at the aid agency Oxfam, told Bridges. "This is partly because of high transport costs and the sheer remoteness of the areas affected, but also because some local markets are not working."

## Shortages abound in region; imports responding

The UN reported that malnutrition rates in the area are currently the highest in the world, with peaks of 50 per cent in certain areas of southern Somalia. In southern Bakool and Lower Shabelle, acute malnutrition rates exceed 30 percent, with deaths of children under five exceeding 6 per 10,000 per day in some areas.

The Food Security and Nutrition Analysis unit, based in Kenya, has said that only 15 to 20 percent of Somalia's domestic requirements are likely to be met by local cereal production this year. Normally, the figure would be closer to 40 percent, with regional cross border trade and sea commercial imports supplying the rest.

Commercial imports are already increasing in response to the deficit, the group said, with imports of cereals through Mogadishu port reaching levels that were over 80 percent higher than the previous year, and more than 100 percent higher than the 2008-10 average.

## Keep food moving, experts say

Access to food, as well as its availability, varies considerably from one part of the region to another, food security experts explained. Conflict, as well as different climatic and agricultural conditions, are amongst the factors affecting whether hungry people can find food to eat.

Confusion over whether rebel groups are willing to allow aid agencies access to parts of Somalia under its control is also expected to hamper efforts to ensure emergency assistance reaches people in need.

"Some pockets [of the region] are productive," observed one expert. "If you can move food to



where it's needed, you obviate a lot of the problems.”

### **Market access hampered by infrastructure, other problems**

Experts familiar with the region told Bridges that a lack of physical infrastructure is a serious barrier preventing food moving from areas with food surpluses to those where there are food deficits. “You drive to the end of the road, then you get on a donkey, then walk for a day – and then you get to where people are producing food,” said one source with knowledge of the area. High oil prices, along with trade barriers in some countries, also exacerbate the difficulties of moving food around in the region.

Improving infrastructure and access to inputs is critical to overcoming hunger in the long term, said officials at the UN Food and Agriculture Organization. Ensuring that traders can get access to food to sell, and that poor consumers are able to afford to buy it, is part of the solution.

“Markets are not working in the region”, another source observed bluntly. “When something is twice the price of what it is down the road, you know something's wrong.”

### **Climate change posing additional risks**

Experts familiar with the region are warning that governments urgently need to ensure people who live in arid areas and are dependent on often erratic rains are able to adapt effectively to expected changes in the earth's climate.

At a global level, the frequency of extreme weather events such as droughts, floods, and tropical storms is expected to increase as the levels of greenhouse gas in the atmosphere rise further in the years ahead. Average temperatures are also due to increase in many areas: farmers who depend on rain-fed agriculture and traditional pastoralists are amongst those who are likely to be particularly badly affected.

“It's never going to be an area that's massively fertile,” said one aid agency worker, speaking in general terms of the Horn of Africa. However, “with climate change, this is going to get worse

and worse.” Governments need to do more to make sure that people are able to cope effectively with future challenges, the source added – including by providing access to physical infrastructure such as reliable water sources, and access to properly functioning markets.

### **Regional integration, cash grants among options discussed**

“We need a really practical response to these barriers to trade,” Oxfam's Ruth Kelly stressed. “One option is cash grants to traders to boost supply and cash transfers to consumers to allow them to buy the food they need on local markets.”

Many governments are currently exploring whether regional trade integration – customs or monetary unions – may represent a way to better link agricultural producers with markets. However, some analysts familiar with the region argued that these processes needed to occur in parallel with efforts to better integrate remote areas with countries and regions.

“We need to look first at how markets can be integrated within countries: what are the key constraints?” one expert argued.

ICTSD reporting; “Somali rebels deny lifting ban on foreign aid groups,” THE GUARDIAN, 22 July 2011.

## **IN BRIEF**

### **Foreign Investment Rebounding, Non-Equity Modes of Production Key for Development: UNCTAD**

Global foreign direct investment (FDI) will rebound to pre-crisis levels by 2013, according to the UN Conference on Trade and Development (UNCTAD) in their 2011 World Investment Report. The report, released on Tuesday 26 July, argues that, although global FDI is still 15 percent below its pre-crisis average, FDI will likely grow to US\$1.4-1.6 trillion in 2011, approaching its 2007 peak by 2013.

Significantly, the report also notes that developing countries absorbed half of global FDI inflows in 2010, and generated record levels of outflows, directed primarily at other developing countries. This trend reflects the emerging presence of developing countries in the global economy, and also demonstrates the growing potential of South-South co-operation as a means for sustainable development. The major winners were East and South-East Asia as well as Latin America, which experienced strong growth in FDI inflows.

Not all developing countries experienced FDI surges. Least developed countries, landlocked developing countries, small island developing states, Africa, and South Asia experienced declines in FDI flows. At the report's launch, UNCTAD Secretary General Supachai Panitchpakdi noted that the poorest countries are still experiencing an "FDI recession."

The report also found that FDI to developed countries remains well below the levels seen prior to the economic crisis, with marginal declines in 2010; Europe especially saw a "sharp fall" in FDI inflows, according to the report.

UNCTAD argues, however, that FDIs are not the only drivers of economic growth. Supachai noted that international production in transnational corporations, which were the focus of last year's report (see Bridges Weekly, [28 July 2010](#)), is expanding. These corporations are also showing an increased trend towards engaging with developing and transition economies through non-equity modes of production (NEMs), which Supachai stated "will be a key component of future growth."

NEMs include contract manufacturing, services outsourcing, contract farming, franchising, and licensing, among other activities.

The potential for growth in NEMs is the principal focus of this year's World Investment Report. Cross-border NEM activity is estimated to have created over US\$2 trillion in sales in 2009, and is predicted to result in significant benefits for development.

UNCTAD reports that NEMs employ an estimated 18 to 21 million workers worldwide, with the majority of workers located in developing countries. NEMs are closely tied with international trade, and are often important points of access for developing countries to global value chains. For example, the report finds that contract manufacturing represents over 50 percent of global trade in the electronics and garment industries. NEMs can therefore play an important role in boosting the productive capacities of developing countries.

The organisation argues that the risk for developing countries in depending on NEMs for growth is that employment in sectors like contract manufacturing can be "highly cyclical" and "easily displaced." Additionally, there is the risk of "remaining locked in low-value-added activities."

Finally, the report also includes a number of policy recommendations about how to best support the development capacity of NEMs. UNCTAD urges developing countries to ensure that NEMs are embedded in their national development strategies; that governments support efforts to build productive capacity; that a strong legal and institution framework be put in place to support NEMs; and that government policies address the risks posed by NEMs by strengthening the bargaining power of local NEM partners, ensuring fair competition, and protecting labour and environmental rights.

ICTSD reporting.

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## WTO IN BRIEF

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### Tuna Dispute Decided in Mexico's Favour: Sources

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The WTO has sided with Mexico in the long-running US-Mexico tuna fish dispute, multiple sources have now confirmed to Bridges Weekly. While the details of the confidential panel report that was circulated to the US and Mexico earlier this month are not yet known, the ruling likely means the US may soon be required to change its

policy on “dolphin-safe” labelling, thereby lifting an effective 20 year ban on Mexican yellow-fin tuna. The ruling could also inform future conflicts on climate- and environment-friendly labels that are at the forefront as consumer awareness is rising.

The dispute has been brewing since the early 1990s, when the US placed an embargo on Mexican tuna fish imports. At the centre of the issue were the purse-seine nets used by Mexican fishermen, which the US argues could accidentally trap and kill Pacific Ocean dolphins.

In 1991, Mexico won a case against the embargo under the old General Agreement on Tariffs and Trade (GATT) dispute settlement procedure. The panel in that case did not, however, rule against a US Department of Commerce policy to place dolphin-safe labelling on tuna products. Although Mexico can legally export tuna to the US, most American companies are unwilling to buy tuna that cannot bear the dolphin-safe logo on labels.

Mexico requested consultations with the US over the labelling issue in October 2008, claiming that the requirements break non-discrimination principles under the WTO’s General Agreement on Tariffs and Trade (GATT) and the WTO Agreement on Technical Barriers to Trade (TBT) (see Bridges Weekly, [30 October 2008](#)).

Mexico has argued that its fishing practices meet international standards for dolphin protection. The country meets regulations under the Agreement on the International Dolphin Conservation Program (AIDCP), a multilateral agreement that was signed by both Mexico and the US in 1999. Under the agreement, Mexico, like the US, requires onboard inspections of tuna vessels during fishing trips to enforce AIDCP standards (see Bridges Trade BioRes Review, [Spring 2011](#)).

The *US-Tuna II* case is likely to affect the global trade body’s future treatment of labelling standards as a whole, which is a largely unexplored issue in international trade law. Many of the questions revolving around the case involve whether the voluntary dolphin-safe label amounts to *de facto* discrimination against domestic

counterpart products and imports from other nations.

In citing the TBT Agreement when bringing its case to the global trade body, Mexico argued that the voluntary dolphin safe label is, in effect, mandatory. Given that the US only permits the use of the label when tuna is not caught with purse-seine nets – and prohibits labels based on all other dolphin safe standards, including the AIDCP standard – the measure is in effect mandatory, Mexico claimed.

The details of the decision, once released, could provide valuable clarity on how and when international standards, such as the AIDCP, take precedence over domestic standards – an insight that could affect how standard making bodies conduct their work, and how the WTO might address future disputes on standard issues.

Last Wednesday, Nkenge Harmon, spokesperson for the Office of the US Trade Representative, told the Wall Street Journal that “the United States will continue to vigorously pursue the objectives of the dolphin-safe labelling provisions,” noting that the labelling rules protect dolphins and provide transparency to consumers.

Legal details about the WTO decision have not yet been released to the public, and the final dispute settlement panel’s report has been labelled strictly confidential. However, Bruno Ferrari, Mexico’s Secretary of the Economy, did confirm to Mexican press that the dispute is close to being resolved.

The WTO report is expected to be released at the end of September. After the report is circulated amongst WTO members, the US and Mexico each have 60 days to make final appeals.

ICTSD reporting; “WTO sides with Mexico in tuna battle with US,” WALL STREET JOURNAL, 20 July 2011.

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## “Spaghetti Bowl” of Trade Pacts Spells Need for Coherence: WTO

The rapid proliferation of preferential trade agreements (PTAs) over the last two decades poses fresh challenges to the global trading system, according to the new 2011 World Trade Report released by the WTO on Wednesday, 20 July.

Worldwide, there are currently over 300 PTAs, with a dozen more under negotiation. On average, each WTO member holds 13 PTAs. At the launch of the report last Wednesday, WTO Chief Economist Patrick Low noted that PTAs have increased four-fold since 1990.

PTAs represent a departure from the WTO’s “Most-Favoured Nation” principle of non-discrimination in trade. However, the agreements are allowed conditionally under Article XXIV of the General Agreement on Tariffs and Trade (GATT). Additionally, the “Enabling Clause” relaxes some of GATT provisions on PTAs for developing countries in the name of special and differential treatment, and Article V of the General Agreement on Trade in Services (GATS) outlines provisions for trade pacts in services.

The report argues that a “new” way of thinking about the agreements has contributed to their recent proliferation. Trade pacts are no longer considered complements or substitutes for multilateral trade liberalisation. “The explosion of PTAs is not being matched by an expansion in trade flows that receive preferential treatment,” the WTO reports. “Only 16 percent of global merchandise trade receives preferential treatment if trade within the European Union is excluded.” The report notes that this can be attributed to non-preferential tariffs already being low, averaging at four percent in 2009.

These trade pacts are now often considered mechanisms for regulatory measures, spurred on by the growth of global production networks. At the report’s release, WTO Director-General Pascal Lamy noted that these networks “require an enabling regulatory environment that provides stronger investor protection, better infrastructural services, freedom of movement of corporate

personnel, protection to intellectual property rights, and facilitation of trade.”

These so-called “deep PTAs” increasingly include regulations on services, investment, intellectual property protection, and competition policy.

Lamy cautioned that the new face of PTAs could threaten the multilateral trading system, warning that they “may lock-in their members to a particular regulatory regime reducing the potential for trade to prosper with countries outside the arrangement.”

The development of a “spaghetti bowl of regulatory regimes” could lead to “diseconomies of scale,” in which international trade becomes increasingly segmented, Lamy noted in an interview with Bloomberg Television.

Given the continuing struggles of the Doha Round of trade talks – see lead story in this issue – the WTO is calling for more coherence between PTAs and the multilateral trading system.

In his foreword to the World Trade Report, Lamy noted that “the experience of the Doha Development Round during the last decade has raised questions about the ability and willingness of governments to advance the multilateral agenda.” He added that the global trade body needs a “better record” if it aims to achieve coherence between the WTO and PTAs through multilateral trade talks.

ICTSD reporting; “WTO’s Lamy on Annual Global Trade Report,” BLOOMBERG, 20 July 2011.

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## EVENTS & RESOURCES

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### Events

1 August, Tokyo, Japan. CRISIS-ERA PROTECTIONISM: IMPLICATIONS FOR POLICYMAKERS. This presentation will highlight the significant developments in protectionism as growth prospects for the global economy have deteriorated since the last summit

of the Group of 20 (G-20) leading economies. Implications will be drawn for commercial and development policies going forward. The presentation will be based on a substantial update of the Global Trade Alert database, where over 500 measures have been added or updated since the last G-20 meeting. It will feature Simon J. Evenett, professor of International Trade and Economic Development at the University of St. Gallen, Switzerland, and Programme Director of the International Trade and Regional Economics Programme of the Centre of Economic Policy Research. For more information, visit the event [website](#).

2-5 August, Medellín, Colombia. BIO-ENERGY CONFERENCE OF THE AMERICAS 2011. Organised by the Center for Research and Innovation (CIEN) and the Bolívar Group, and supported by, among others, the Organization of American States (OAS), the Bio-energy Conference of the Americas seeks to provide a platform for information exchange, networking, and technology exchange on bio-energy in the Americas. The conference will focus on the following themes: bio-energy and the agricultural industry; policies and the environment; state of the art and next generation technologies; and the bio-energy industry as a business. The event also offers an exclusive interactive biodiesel workshop and a commercial exhibit showcasing services and technologies of the bio-energy industry sector. For more information, visit the event [website](#).

16-17 August, Taipei, Taiwan. APEC SYMPOSIUM ON ENHANCING SME CAPACITY OF MANAGING THE RISKS ASSOCIATE WITH TRADE LIBERALISATION. This symposium will bring together Asia-Pacific Economic Cooperation (APEC) Small and Medium Enterprise (SME) representatives, government officials, and experts of member economies, to discuss the risks that SMEs might face when engaging in international trade, and to provide them with the knowledge to manage these risks. The symposium will also help APEC SME officials draw policies to address SME needs in coping with fiercer foreign competition resulting from trade liberalisation. For more information, visit the event [website](#).

22-26 August, Montréal, Canada. ECOCITY WORLD SUMMIT. This conference is organised around six interconnecting themes that explore leading research and showcase practical solutions that contribute to the development and management of ecocities. All speakers will present lessons from their specific areas of expertise and explain how their work relates to the broad range of issues – social, economic, and biophysical – that are integrally related in the ecocity concept. The goal of the conference is to allow participants to have the opportunity to expand their networks, to learn from innovative research and experiences elsewhere in the world, to contribute to the evolution of ecocity thought and the ecocity movement, and to leave the conference with new knowledge, tools, and approaches that they can adapt to the contexts of their own cities and countries. For more information, visit the event [website](#).

### Other Upcoming Events

3-5 September, Bonn, Germany. 64TH ANNUAL UN DEPARTMENT OF PUBLIC INFORMATION NGO CONFERENCE: SUSTAINABLE SOCIETIES; RESPONSIVE CITIZENS. This conference will seek to highlight ways in which civil society can effectively contribute to creating and maintaining sustainable societies and encouraging civic engagement. Sub-themes could include environmental sustainability, green manufacturing and commerce, transparent governance, grassroots activism, and limiting personal carbon footprints. The conference will seek to contribute to civil society preparations for the UN Conference on Sustainable Development (UNCSD, or Rio+20). The organisers include DPI/NGO Relations, NGO/DPI Executive Committee, the Government of Germany, the City of Bonn, and UN Volunteers (UNV). More information is available on the conference [website](#).

REVISING TRIPS FOR PUBLIC HEALTH: AN IDEAS CONTEST FROM MSF. On the occasion of the ten-year anniversary of the Doha Declaration, MSF (Médecins Sans Frontières) is launching an “Ideas Contest” on how to revise TRIPS (the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights) to ensure that it fully meets global public health needs.



Contestants are asked to respond to the following question: Can TRIPS be reformed to meet public health needs? If yes, then contests should describe their idea for how to change the agreement. If no, they should explain why not, and propose an alternative. Submissions can be a written essay of 500-1000 words or an audio visual entry of more than five minutes, and should succinctly describe a proposal to change (revise, amend, reinterpret, renegotiate, opt-out, discard) the TRIPS Agreement so that it is conducive to global public health. Winners will receive a trip to present their idea on a panel at the Doha + 10 Conference that is being organised by MSF in November 2011. The contest deadline is 19 September 2011. Contest details are available on the MSF [website](#).

20 September, Geneva, Switzerland. REBALANCING THE RIGHTS OF IMPORTERS. This session will examine the motivations and impacts of agricultural export restrictions undertaken by governments in order to protect their population from high food prices. The session will also explore how international trade disciplines on agricultural export restrictions can be improved, as well as questions about government motivations for imposing export restrictions, the kinds of rules that the international community should agree to with regard to agricultural export restrictions, and the political factors that must be considered. More information is available the CUTS International [website](#).

27-28 September, Geneva, Switzerland. GOING GLOBAL: IS CHINA INC. SUSTAINABLE? This Bridges China dialogue, jointly organized by ICTSD, the Swiss Chinese Chamber of Commerce, Business Europe, and China Entrepreneurs Magazine, will discuss a series of major questions regarding China's future, particularly with regards to sustainable development and global growth. These questions include how to interpret China's 12th Five Year Plan and Going Global Strategy; how China and Europe can work together to overcome the ongoing crisis; what are the key opportunities and challenges for China's rising Outward Investment (ODI); and what business opportunities are available for European companies and Chinese investors. The Bridges China Dialogue is an international forum committed to improving

China's integration into the world economy in a sustainable manner. More details are available at the event [website](#).

26-28 October, Addis Ababa, Ethiopia. AFRICAN ECONOMIC CONFERENCE 2011. The theme of this conference is "Green Economy and Structural Transformation in Africa." The main objective of the event is to provide a platform for experts on Africa to reflect on and discuss new directions for growth policy on the continent in order to determine the best approaches to attain the Millennium Development Goals (MDGs), achieve the objectives of the New Partnership for Africa's Development (NEPAD), and accelerate sustainable development in Africa. The Conference is expected to bring together experts, academics, and development partners to discuss emerging opportunities and challenges for a green economy in Africa. It will also make recommendations that may inform Africa's position at the upcoming Rio+20 conference. More information about the conference and a call for papers is available [online](#).

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## Resources

ESTIMATING THE CONSTRAINTS TO TRADE OF DEVELOPING COUNTRIES. By Jean-Jacques Hallaert, Ricardo Cavazos Cepeda, and Gimin Kang for the Organisation for Economic Co-operation and Development (OECD) (June 2011). This report identifies and quantifies the severity of binding constraints to trade expansion in developing countries and the importance of the complementary policies that will maximise the impact of trade reforms on trade and economic growth. Such quantification is needed to guide the sequencing of reforms and aid-for-trade interventions. While the constraints to trade expansion are largely country specific, countries that share important characteristics may face similar binding constraints. In this report, an econometric analysis is undertaken for partner countries to produce an unrestricted sample that can be used as a benchmark against which special country groupings can be assessed. Case studies on Azerbaijan and Uganda illustrate the mechanisms of the econometric work and the importance of several variables that were not



captured because of data limitations. The report is available on the OECD [website](#).

**MEASURING THE IMPACT OF SPS STANDARDS ON MARKET ACCESS.** By Tim Josling and Donna Roberts for the International Food & Agricultural Trade Policy Council (IPC) (July 2011). Sanitary and phytosanitary (SPS) measures are set by governments to protect human, animal, and plant health in importing countries. However, SPS measures can also be formulated or implemented in such a way that makes it difficult for foreign producers to compete. This paper reviews ongoing efforts to gather information about non tariff measures (NTMs) and their economic impacts, and calls for more systematic and compatible efforts to track NTMs, and to provide quantitative assessments of their impact on trade. The brief is available on the IPC [website](#).

**TRADE PATTERNS AND GLOBAL VALUE CHAINS IN EAST ASIA: FROM TRADE IN GOODS TO TRADE IN TASKS.** By the WTO and IDE-JETRO (Institute of Developing Economies - Japan External Trade Organization) (2011). Starting with demand, this publication describes how a changing economic environment has contributed to global production. Infrastructure services, tariffs, foreign direct investment, cheaper technology, and lower transportation costs have all affected the trading environment and the international exchange of goods, fostering increased market access, amplifying cross-border links between companies, and causing trade in intermediate goods to increase. This publication considers the effect of these factors on international production networks, with a particular focus on "Factory Asia." The publication also shows how the development and evolution of these production networks has promoted economic growth and employment in Asia. The paper is available on the WTO [website](#).

**THE DOHA ROUND AND SOUTH ASIA: NEED FOR BETTER COORDINATION.** Edited by Bipul Chatterjee and Joseph George for CUTS International (July 2011). This book explores the commonalities and differences of South Asian countries' interests in some major areas of Doha Round negotiations. South Asian

countries are urged to take their issue-specific positions forward by participating in the deliberations of various coalitions of WTO members and to adopt a more co-ordinated approach to discuss those positions among themselves so that they have better understanding of each other's interests. This publication is available on the CUTS International [website](#).

**THE GLOBAL OUTLOOK FOR GOVERNMENT DEBT OVER THE NEXT 25 YEARS: IMPLICATIONS FOR THE ECONOMY AND PUBLIC POLICY.** By Joseph E. Gagnon with assistance from Marc Hinterschweiger for the Peterson Institute for International Economics (July 2011). This study addresses a new feature of the contemporary world economy: the simultaneous build-up of very large public deficits and debt positions in virtually all of the advanced high-income countries. This study finds that the current public debt profiles in most advanced economies will grow to dangerous and unsustainable levels over the next couple of decades unless major changes are made in projected spending and revenue levels. The authors conclude that the US and Japan, in particular, need to start planning now for significant future budget cuts to minimise the risk of a crisis. The publication is available for purchase on the Peterson Institute [website](#).

**AN ASSESSMENT OF THE GOVERNMENT'S REVIEW OF TRADE POLICY.** By the Tasman Transparency Group (July 2011). The Tasman Transparency, a group of senior Australian and New Zealand trade economists, completed this assessment of the April 2011 Australian Government's Review of Trade Policy. The group calls on the Australian government to be more transparent about its trade policy agenda, and provides an analysis on what the group has identified as major shortcomings in the government's review. The report also offers possible "next steps" for the Australian government in the context of challenges currently being faced by the WTO. The assessment is available on the Tasman Transparency Group [website](#).