



# Bridges Weekly Trade News Digest

*Weekly trade news from a sustainable development perspective*

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Publisher and Director: Ricardo Meléndez-Ortiz.  
Editor-in-Chief: Andrew Crosby.

Managing Editor Periodicals: Andrew Aziz.

Managing Editor, Bridges Weekly Trade News Digest: Sofia Alicia Balaño.

Contributors to this issue are Anne-Claire Adet, Sofia Alicia Balaño, Jonathan Hepburn, and Paul Van Peursem.

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## LEAD STORIES

### Questions over Future of Doha Intensify as Ministerial Draws Nearer

As the WTO returns from its summer recess, members are actively looking at what options remain for the struggling Doha Round of trade talks, especially given the fast approach of December's WTO Ministerial. While some WTO members, such as the US, are suggesting that the global trade body's membership acknowledge that the round is "deadlocked," others are urging the exploration of other possibilities.

Prior to the August break, trade officials had agreed that the earlier plan to pursue an LDC-plus package – one that had deliverables for Least Developed Countries (LDCs) – for the December ministerial was no longer feasible (see Bridges Weekly, [28 July 2011](#)). With members unable to reach consensus on what non-LDC issues, or even what LDC-specific issues, might be included in such a package, the decision was made to change tracks and focus on non-Doha issues for the ministerial, along with a post-December work plan for Doha.

Much of the stalemate being seen in the trade negotiations stems from a long-running dispute between the US and emerging economies, such as Brazil, India, and China, over industrial tariffs, along with disagreements over cutting farm subsidies in developed economies. In the former case, the US has asked for mandatory participation in 'sectorals' – the cutting of tariffs across an entire industry – insisting that emerging economies take on greater responsibilities to reflect their larger role in the global economy.

The agriculture dimension of the embattled Doha negotiations featured prominently in last week's meeting of Cairns Group ministers. The group of

19 agricultural exporting countries met from 7 to 9 September in Saskatoon, Canada, to assess the state of play of the talks and urge WTO membership to push forward toward a successful conclusion of the Round. For more on the Cairns meeting, see our related story in this issue.

In a 9 September [interview](#) with LiveMint, a business news website that partners with The Wall Street Journal, WTO Director-General Pascal Lamy urged that it was time for members to recognise that the industrial tariff issue is holding up progress in other negotiating area. “The question is whether through smaller steps we can get to a final global deal,” he said.

Frustration over the industrial tariffs issue also surfaced in recent statements from EU and US officials. US Ambassador Michael Punke, in a [hearing](#) on 12 September before the US Senate Finance Committee, told committee members that “the Obama Administration, with the strong support of Congress, believes that China and other emerging economies must shoulder new responsibilities to reflect this change. So far, they have been unwilling to do so.”

Punke also rebuked some WTO members for their “reticence” regarding recent US suggestions for resolving the problems that caused the 2008 breakdown in Doha negotiations, adding that such reluctance left the US with “very little to show for those efforts.”

EU Trade Commissioner Karel De Gucht, in a [statement](#) made to the EU Parliament and European Commission president on the same day, also brought up the sectorals issue. He noted that the root cause of the impasse was “fundamentally divergent expectations regarding the reciprocity of commitments that developed and emerging countries should take in opening their markets: one side asked for almost full harmonisation of commitments, while others insisted on far-reaching and preferential treatments.”

De Gucht added that the EU remained in between those two extremes, and even made a proposal to that effect – one that, he found, “got large support from the concerned industries [but] there was unfortunately not enough traction around the

negotiating table to negotiate further on the basis of this – I believe – good proposal.”

### Next steps for Doha unclear

As one developing country official told Bridges, “the situation is very confused on the Doha track.” Members are now working with the Director-General on both non-Doha issues and a plan for Doha itself.

Over the summer break, various conflicting viewpoints on the general future of the Round have emerged. These viewpoints, the official noted, range from abandoning the Doha talks entirely, to freezing the Round and “taking time off” in response to the financial crisis, to abandoning the “grand design” under the single undertaking principle – under which nothing is agreed until everything is agreed – and instead addressing issues “piece by piece.” Some members also blame the mandate of the talks themselves, set in 2001, for being outdated.

As a result, the official stated, it becomes “inevitable” that the Doha discussion will shift to a more “holistic approach,” and delegations will have to “prepare and structure that discussion” for ministers in advance of the December gathering.

Punke, at the US Senate Finance Committee hearing, took a decidedly pessimistic tone when discussing the US’s view of the future of the trade talks.

“What we are doing today in the Doha negotiations is not working,” Punke said. “That is not a value statement, but a simple assessment of the facts. After ten years, we’re deadlocked.”

He added that whether the WTO’s membership can “acknowledge the reality of our situation will be the first test of whether we can devise a credible path forward that will expand market access and strengthen the institution.”

According to observers, delegates are being forced to acknowledge that pushing the Round through to a conclusion anytime soon is less and less of a realistic outcome.

“The air of pessimism is all pervasive, at the moment, because it’s hard to find anyone who seriously believes that much will come before the ministerial,” Simon Evenett, a trade professor at the University of St. Gallen, told Bridges.

“All you can say about the current situation that is good is that reality has finally intruded, and the people are able to see just how far we have to go,” he said. “The fantasy is over and the stark reality is laid before us.”

While consensus on how to resolve the Doha stalemate is lacking, many observers agree that any progress will depend largely on political leadership from members.

In a [speech](#) to CUTS International in New Delhi, Lamy told the audience that ministers will “have to talk turkey” at the December ministerial. “The debate is not about whether we bury the round or whether we fix another artificial deadline to conclude it. If we are clear that the issues in the Doha Agenda need to be fixed, the challenge before us is to find the political courage and the pragmatic steps which will lead our members to have an honest negotiation,” he stated.

### The upcoming weeks

Next week will see a meeting of the so-called G-11, a group of WTO members that includes Australia, Argentina, Brazil, Canada, China, the EU, India, Japan, Mauritius, South Africa, and the US. Earlier this year, the G-11 tried to kickstart a “horizontal process” in which WTO members could make tradeoffs across different negotiating areas (see Bridges Weekly, [18 February 2011](#)). The countries will now discuss the Doha and non-Doha agenda for the ministerial, according to sources, that will “hopefully give us an honest discussion of where we are.” It’s “essentially a political discussion” for ministers, the source added.

While talks on non-Doha issues for the ministerial appear to be in the early stages, some countries are putting together proposals on areas such as “21<sup>st</sup> century issues” – food security, climate change, etc. – and currency issues, among others.

ICTSD reporting.

## Leaked EU Texts Reveal Greener Farm Policy, ‘Recoupling’ Plans

Leaked EU [draft texts](#) confirm expectations that the 27-member bloc is likely to seek to ‘green’ farm subsidy payments after 2013 by adding new rules on protecting the environment. Controversially, though, the drafts also reveal new plans to allow some countries to re-allocate more direct payments to the production of particular crops – reversing prior attempts to ‘decouple’ farm support from production and thus reduce the trade distortions that this support might cause.

The texts, which are due to be shared with EU member states on 12 October, propose maintaining the two ‘pillars’ that currently structure EU farm support. “Annual mandatory measures of general application” would be covered by pillar one, and multi-annual “voluntary measures better tailored to national and regional specificities” by pillar two, the drafts indicate.

### A new basic payment scheme

The texts outline plans to replace existing direct payments to farmers with a new basic payment scheme, as well as a ‘green’ payment that would be conditional on farmers respecting the following three criteria: crop diversification, maintaining permanent grassland, and setting aside seven percent of arable land in the form of ‘ecological focus areas.’

Organic farmers would automatically qualify for the ‘green’ payments, due to represent 30 percent of member states’ annual ‘national ceilings.’ Farmland covered by the ‘Natura 2000’ ecological scheme would also need to comply with the special requirements under that programme.

Voluntary extra payments, worth five percent of countries’ national ceilings, would be available for farmers in areas “facing specific natural constraints,” the drafts say. Additional payments would also be made available to help young farmers entering the business, and a simplified lump sum payment would be made to small farmers in a bid to cut costs and bureaucracy.

### **‘Recoupling’ support and production?**

One proposal that is likely to elicit controversy is the plan to make it easier for some EU member states to re-establish coupled support schemes, if they wish to do so, for specific types of farming or agricultural systems that “are experiencing certain difficulties” and that are “particularly important for economic and/or social reasons.”

According to the leaked texts, coupled support could be granted to any of the following products: arable crops, beef and veal, dried fodder, durum wheat, energy crops, flax and hemp, fruits and vegetables, grain legumes, hops, milk and milk products, nuts, olive oil, protein crops, rice, seeds, sheepmeat and goatmeat, starch potato, silk worms, and sugar beet, cane and chicory.

The list dramatically expands the range of products that could benefit from production incentives. It also includes explicit mention of ‘energy crops’ – which would include crops such as vegetable oil used in biodiesel production. The subsidies for energy crops have generated controversy both amongst the EU’s trading partners and from environmental groups that have questioned whether these products actually deliver greenhouse gas reductions.

Although the draft states that coupled support should not normally exceed five percent of an EU member’s ‘national envelope,’ an additional clause allows some countries to raise this limit to 10 percent – or even to go above this, for specified reasons, if the Commission approves. No upper limit in this case is specified in the draft.

The proposal is an apparent reversal of existing policy, which requires EU member states to shift a share of support from existing ‘pillar one’ funds towards rural development objectives in pillar two. Allowing countries to do the opposite is likely to increase the production effects of the subsidies provided.

The leaked proposals also maintain current arrangements for support to cotton, including the coupled crop-specific payment, and detail specific subsidy arrangements for Bulgaria, Greece, Portugal, and Spain.

The proposals are likely to draw criticism from the EU’s trading partners, who have welcomed in recent years the long-term shift to reform the bloc’s farm support away from trade-distorting payments that are linked to production, and towards more ‘decoupled’ support that is generally seen as causing less damage to producers in other parts of the world.

### **‘Active farmer’ defined in new rules**

EU countries should refrain from granting direct payments to beneficiaries whose business was largely unrelated to agriculture, the draft says, warning that “airports, railway companies, real estate companies, and companies managing sport grounds” should be avoided in particular.

For the first time, the European Commission set out a definition of who would be eligible to receive payments as an “active farmer.” Farmers whose farm income represents less than five percent of their total revenue – excluding subsidies – would no longer qualify, according to the leaked plans.

However, farmers who received less than €5000 of direct payments would be exempt from the new requirement.

### **Cuts and an upper ceiling for large direct payments**

A new absolute ceiling on the size of direct payments would be set at €300,000, the text reveals, with progressively greater cuts to subsidies €150,000 upwards.

Between €150,000 - 200,000, direct payments would be subject to a 20 percent cut. Amounts between €200,000 - 250,000 would be cut by 40 percent, and amounts from there up to the €300,000 ceiling would be cut by 70 percent.

However, because farmers would be allowed to subtract salaries and other employment costs from these thresholds, it remains unclear how many firms would be affected in practice by the new rules.

**New environmental conditions: crop diversification, grassland, set-aside**

The text appears to require that farmers cultivate three different crops on their land under new crop diversification rules, in order to receive the 'green' payment. None of these crops would be allowed to cover less than five percent of arable farmland, or more than 70 percent.

They would also need to declare and maintain areas of permanent grassland, which could not normally be reduced by more than five percent. If this threshold was exceeded, the European Commission would be able to require the land to be reconverted back into grassland.

They would also have to set aside seven percent of eligible hectares as 'ecological focus areas' – to include "land left fallow, terraces, landscape features, buffer strips, and afforested areas."

**A total budget of €435.6 billion**

The leaked documents reveal that the Commission expects the bloc's Common Agricultural Policy to cost over €418.2 billion over the 2014-2020 period: €317 billion in spending on pillar one, and €101.2 billion in spending on pillar two.

In addition to this, €17.1 billion would be made available to cover research and innovation, food safety, and food support for 'deprived persons' (due to cost €5.1 billion, €2.5 billion and €2.8 billion, respectively).

This €17.1 billion would also include a new reserve of €3.9 billion to cover "crises in the agricultural sector," along with another €2.8 billion provided through a European Globalization Fund.

Despite the austerity measures being introduced by European governments in the wake of the economic downturn and debt-related problems in the eurozone, the proposal is expected to maintain EU farm spending at levels that are similar to those that have prevailed in the past, rather than making the cuts that many observers had expected.

**Environmentalists condemn "underwhelming" proposals**

Despite the Commission's efforts to accommodate the concerns of farm groups and environmentalist organisations, the leaked documents have been criticised by both constituencies.

The plans were condemned in a communiqué issued on Monday by a coalition of environmental groups, which included Birdlife International, the European Environmental Bureau, the International Federation of Organic Agriculture Movements (IFOAM) and WWF.

The environmental groups criticise the lack of additional support for farmers maintaining protected natural habitats in the Natura 2000 network, or managing extensive grasslands that they say are important for biodiversity and the climate.

The signatories argue that all farmers will continue to receive subsidies, "even those that practice highly unsustainable farming methods, provoke soil erosion or pollute and over exploit water resources."

Ariel Brunner, head of EU policy at BirdLife Europe, warned that "the environmental movement has been supporting a significant budget allocation for a reformed CAP but will not go along with a window dressing exercise that keeps pumping money into Europe's most environmentally harmful farms."

**Farmers: 'greening' subsidies could undermine competitiveness**

While the main EU farm group, COPA-COGECA, has yet to issue a formal reaction to the leaked proposals, press officer Amanda Cheesley told Bridges that the organisation was concerned about a number of elements that these contain.

"We're concerned about threatening farmers' competitiveness and economic viability," she said, singling out the proposed capping of large subsidy payments and 'greening' as two of the group's major concerns. She also noted that the farm body

was concerned about how “active farmers” were to be defined under the new plans.

“The greening measures will increase farmers’ costs,” she warned.

She also argued that the Commission's proposals on coupled support would be unlikely to lead to a significant increase in these payments. “It wouldn’t really change that much on the current situation,” Cheesley said.

In contrast, NFU spokesperson William Surman argued that the re-coupling of payments “looks like a huge backward step.” The NFU office in Brussels represents a number of farmers’ organisations from around the UK.

“We’re pretty concerned about moving money from pillar two to pillar one,” Surman said. “The whole point of reform is competitiveness”.

### Consultation

The proposals, which have been drafted by the European Commission's Directorate-General for Agriculture and Rural Development, are being shared with other departments ahead of a deadline for comments tomorrow. They will then be revised further and shared with EU member states on 12 October.

ICTSD reporting.

## OTHER NEWS

### Cairns Group Ministers “Press the Alarm Buzzer” on Doha Agriculture Talks

With December’s WTO Ministerial Conference on the horizon, ministers from the Cairns Group of agricultural exporters met last week to brainstorm on how to proceed with the troubled Doha Round of trade talks. While focusing on the Doha agriculture negotiations, Cairns Group ministers also discussed the international

agriculture trade policy environment, food security issues, and science-based trade.

From 7 to 9 September 2011, ministers from the 19-member Cairns coalition met in Saskatoon, Canada, to assess the ongoing WTO Doha Round agriculture negotiations. The 36<sup>th</sup> annual meeting took place at a critically important time for the WTO Doha Round negotiations. “Given the current challenges, we must engage in a frank discussion to develop a clear and realistic path forward to advance the needed reform and secure a fair, market-oriented and predictable trading environment, in accordance with the Doha Development mandate” said the Cairns Group joint communiqué.

“To pretend that going down the existing path will succeed only with the addition of some extra time would be naïve and it would be folly,” Australian Trade Minister Craig Emerson [added](#) at a press conference following the event.

### US: “The Round is not working”

US Ambassador Michael Punke’s [speech](#) to the group drew particular attention; while the US is not a Cairns Group member, they have traditionally attended meetings as a special guest. Punke called on WTO members not to sugarcoat the Doha Round’s current problems: “our view is that the most workable, most realistic, and least damaging path would be to acknowledge in a direct and honest manner that the Round is not working,” he said. “In the weeks between now and December, the United States will be highly sceptical of any proposal that assumes we can fix our problems by rearranging the deck chairs.”

Sharing concerns about the current state of the negotiations, Cairns Group ministers expressed their disappointment and discussed how to break the present deadlock. Australian Trade Minister Craig Emerson, who chairs the Cairns Group, stressed that bringing the Round to a conclusion in 2011 has proven to be impossible. During the meeting, Cairns members centred their discussions on how the aspirations of the Doha Round can be achieved, while recognising the limits of the current process and calling for a new approach.



Despite the Doha struggles, the Cairns Group expressed its continued commitment to the liberalisation of agriculture markets. “You can’t fix a problem unless you recognise you’ve got one, and the Cairns Group has pressed the alarm buzzer in the emergency ward,” Emerson [said](#). Even though different options for the future of the Round have been looked at – see our related story in this week’s issue – ministers agreed to support the re-engineering of the Round.

Ministers also urged that the Hong Kong mandate on cotton be implemented; given its developmental impact; domestic support for cotton has been and continues to be a major area of contention in the agriculture negotiations at the global trade body. The Cairns Group also emphasised that the continuation of export subsidies beyond 2013 would be “unacceptable,” and, speaking more generally, insisted upon agriculture’s importance in the Doha talks, “given its importance for the development needs of developing countries.”

Additionally, the communiqué insisted that “the benefits which might be secured through further improvements in market access multilaterally far exceed the benefits which may be achieved through bilateral and regional trade agreements alone.” Ministers added that December’s WTO ministerial is “an opportunity that cannot be missed to assess the situation and take decisions on the way forward in the Doha negotiations;” to that end, Cairns members agreed to work on concrete ideas to “secure a way ahead for the Doha Round negotiations on agriculture.”

### **Time for agriculture policy reforms, ministers say**

“Agriculture remains one of the most highly trade-distorted sectors,” Cairns countries said, one that would require substantial changes. “As Cairns Group members we instruct our officials to work together to monitor and analyse reform efforts and to use opportunities to advocate for trade-enhancing reforms,” the joint communiqué said.

The current context of EU Common Agriculture Policy discussions and the US Farm Bill processes could provide an opportunity for such changes, Cairns ministers added. A developing country

delegate speaking to Bridges affirmed that Cairns members appreciated various efforts that large economies are doing to reform their agricultural policies.

In this context, Canada made public its domestic decision to reform its single desk marketing system for trade in wheat, durum and barley. The current Canadian Wheat Board (CWB), the single buyer of wheat and barley for human consumption in Western Canada, would be transformed into a voluntary marketing entity operating in an open market.

Canadian Federal Agriculture Minister Gerry Ritz urged that an open market in Canada could “drive innovation, encourage investment, create value-added jobs, and give Western Canadian grain farmers the marketing choice they want and deserve.” Canada’s expectations are based on the success of Australia’s version of this system. “It was a remarkably smooth transition ... from a monopoly situation to a competitive situation,” explained the Australian Minister for Trade.

### **Fostering trade to help resolve food security concerns**

“We have pursued reforms through the Doha agriculture negotiations so vigorously because, amongst other things, we recognise that trade policy reform has a role to play in addressing food security,” the Cairns countries said, highlighting an issue that has dominated headlines in recent months.

Considering that the global population is expecting to reach 9 billion in 2050, the Cairns Group asserted that, as an organisation of major agricultural exporting countries, it has a unique role in helping meet the objectives of food security. “How do we ensure that there is food security?” asked Emerson. “The smartest way of doing it again is to do what we’re seeking to do through Doha, and that is to liberalise trade so that the market can seek out the best places on Earth to produce the food, produce it in quantities that are demanded, which satisfies both the physical demand for food and helps with reducing prices.”

Cairns Group members also pointed out that innovation and rules-based trade rooted in sound science could have a positive effect in opening up markets and meeting global food security objectives. They called for “new, innovative and sustainable means, including through the use of technologies.” Canadian Federal Agriculture Minister Gerry Ritz underlined that, in order to promote innovation, countries would need “a trading system which is solidly anchored with a science-based approach to these trade rules.” Canada will be hosting an international meeting on the subject of science early next year to foster a collaborative international approach.

The meeting was also marked by the presence of Russia, which is not a Cairns Group member but, like the US, attended as a guest. In the final communiqué, Cairns Group ministers made major declarations advocating for Russia’s accession to the WTO by the end of this year. “There was very strong support around the table for accession by Russia to the World Trade Organization in 2011,” Emerson said. Russia’s application could be approved by the WTO during the December ministerial; if so, Russia would become the 154<sup>th</sup> member of the organisation. “It seems to be a club that people want to join,” declared the Australian Minister, pushing back against recent criticisms of the global trade body.

The Cairns Group comprises Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, and Uruguay.

ICTSD reporting; “Cairns Group countries hail Canada’s plans for CWB,” AG CANADA, 9 September 2011; “Canada calls for rules-based trade rooted in sound science - Successful international agriculture trade ministerial concludes,” AGRICULTURE AND AGRI-FOOD CANADA, 9 September 2011; “Cairns Group May Urge Easing Trade Limits, Canada Official Says,” BLOOMBERG, 6 September 2011; “The 36<sup>th</sup> Cairns Group Ministerial Meeting,” CAIRNS GROUP, 9 September 2011; “Cairns group calls for freer trade, reduction of agriculture subsidies,” WINNIPEG FREE PRESS, 9 September 2011.

## IN BRIEF

### Brazil Slaps Anti-Dumping Tax on Chinese Steel Imports

In a move aimed toward defending domestic industries, Brazil announced on 6 September that it would be imposing antidumping duties on select Chinese steel products, along with tariffs on certain imports from its Mercosur partners. The antidumping levy would be valid for five years, according to officials.

Antidumping duties – meant to target products whose price abroad is less than that in their country of origin – have long been an area of contention between the two BRICS countries.

The anti-dumping duty on Chinese steel tubing, which is commonly used for Brazil’s oil and gas industry, will be set at US\$743 a ton. In announcing the duty, government officials acknowledged that half of the 81 anti-dumping measures introduced will directly affect Chinese products bought by Brazilian importers.

The decision to apply antidumping duties on Chinese steel tubing came on the same day that Brazil’s trade chamber, CAMEX, announced that such duties could be applied retroactively. Duties may be imposed retroactively by 90 days prior to a preliminary ruling on whether the price of the import is indeed less than in its country of origin.

Foreign Trade Secretary Tatiana Prazeres, in an announcement posted on the website of Brazil’s trade chamber CAMEX, explained that this latter decision would “close the gap of time in which importers can stock up on goods while we investigate these possible dumping cases.”

The revival of the antidumping row between the countries came on the heels of statements from Argentine Foreign Affairs Minister Hector Timerman suggesting that Mercosur-China relations could soon make major strides.

Timerman recently told Chinese media that, while “currently there are no talks on an FTA between



China and Mercosur... we are approaching the point where we will have to address the issue as we deepen bilateral ties." Argentina is one of the other major trading powers in Mercosur, the South American customs union; Paraguay and Uruguay are also full members.

### **Appreciation of real causing difficulties for Brazilian exporters**

Along with facing an inflow of cheap imports from abroad, Brazil has also struggled with the appreciation of its currency, the real, in recent years. Bloomberg estimates show that the real has gained 40 percent against the dollar since the end of 2008. The increasing value of the real makes imports cheaper, while making it difficult for Brazilian exporters to compete with their foreign counterparts.

Shortly prior to Brasilia's announcement, Brazil Finance Minister Guido Mantega spoke out over the growing problem with the real. "Part of Brazil's growth is leaking overseas," he told reporters, while urging the US to avoid taking measures that would continue devaluing the dollar at the real's expense.

Brazilian President Dilma Rousseff, in an address on 6 September, promised to keep defending her country's markets. "Let me make clear that my government will not allow attacks on our industry and jobs. We will never allow foreign goods to compete unfairly with our products," she said, according to the Financial Times.

She added that, "in the case of the current international crisis, our principal weapon is to expand and defend our internal market, which is one of the most vigorous in the world."

Brazil will also be imposing higher tariffs on air conditioners, bicycles, and five other products from its Mercosur partners, according to an announcement made on the same day by CAMEX.

ICTSD reporting; "China's double-edged trade with Latin America," AFP, 3 September 2011; "Brazil President To Protect Domestic Market From Global Turmoil," DOW JONES NEWSWIRE, 7 September 2011; "Brazil levies

imports of Chinese steel tubes," FINANCIAL TIMES, 7 September 2011; "Brazilian minister warns against 'QE3'," FINANCIAL TIMES, 2 September 2011; "Governo aprova medida que autoriza antidumping retroativo," FOLHA, 6 September 2011; "A China/Mercosur trade agreement would be 'something extraordinary.'" MERCOPRESS, 6 September 2011; "Brazil slaps anti-dumping tax on Chinese steel," REUTERS, 6 September 2011; "UPDATE 1-Brazil vows trade defense, targets Chinese steel," REUTERS, 6 September 2011.

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## **UNCTAD: Austerity Measures Could Slow Global Economic Recovery**

The first half of 2011 has seen global economic growth retract from 2010 levels, a downward trend that could worsen if developed economies continue to implement fiscal austerity measures, cautioned a 6 September report released by the United Nations Conference on Trade and Development (UNCTAD).

The organisation's annual Trade and Development report, entitled "Post-crisis Policy Challenges in the World Economy," found that the global economy is likely to grow only by 3.1 percent this year, in comparison with 3.9 percent in 2010. Developed economies are expected to see growth rates of between 1.5 and 2 percent, compared to developing economies which – with the exception of northern Africa – are seeing much stronger growth at over six percent this year.

The report sharply criticised recent moves toward austerity measures in developed economies, warning that these policies only attack the symptoms of the financial crisis, rather than its root causes – such as the deregulation of the financial sector. These austerity measures, largely viewed as attempts to restore the confidence of financial markets, were surprising given the "almost universal recognition that the crisis was the result of financial market failure in the first place," the authors noted.

UNCTAD Secretary-General Supachai Panitchpakdi, in his foreword to the report,

cautioned that, “in light of the irresponsible behaviour of many private financial market actors,” seeing policymakers and much of the public trust those same financial institutions again could prove unwise.

The organisation also compared current austerity policies to the fiscal tightening policies backed by the International Monetary Fund in the 1990s and 2000s, many of which did not lead to their intended results. The report warned developed countries against repeating these steps, as the same difficulties could arise.

### **Despite growth, developing countries still vulnerable to trade, financial shocks**

While developed economies, particularly the US and EU, are struggling, developing countries have seen a strong expansion in growth, the report finds. However, the latter countries could see this growth slow down as a result of the difficulties facing developed economies.

Notably, problems in the developed world, along with the lack of significant reforms in financial markets, could make developing countries susceptible to trade and financial shocks. These shocks could, in turn, have negative impacts on developing country exports similar to those seen in 2008.

While the report found that international trade in goods and services made a strong comeback in 2010, registering a 14 percent year-on-year increase, UNCTAD noted that trade volume growth is now likely to fall back into the single digits. The 2010 increase was also unevenly distributed across countries, with developed countries seeing slower improvements.

The report acknowledged the WTO’s warning from earlier this year that protectionist measures are rising among the Group of 20 (G-20) leading economies (see Bridges Weekly, 25 May 2011). While UNCTAD found that such increases were modest, the authors cautioned that these new trade barriers “are fuelling fears that, at a time of high unemployment and fiscal belt-tightening in developed economies, and complaints of ‘currency wars’ by developing economies, governments may impose more import controls.”

### **Market regulation, stimulus policies recommended**

The report proposes stricter regulation of financial markets, along with a restructuring of the financial sector as a whole to reduce possible systemic crises. UNCTAD also called for more stimulus measures, especially in light of the high unemployment and low wages being seen in Europe, the US, and other developed countries.

Heiner Flassbeck, director of UNCTAD’s Division on Globalisation and Development Strategies and the report’s lead author, told reporters that “unemployment depends on demand.” Given the low domestic demand seen in developed countries, “you need government to step in with a huge programme for stimulating the economy,” he added, according to Reuters.

ICTSD reporting; “Indian economy to grow 8.1 per cent in 2011: UNCTAD,” ECONOMIC TIMES, 6 September 2011; “UN trade body says spending cuts threaten economic recovery,” GUARDIAN, 6 September 2011; “UN body warns of risks of global austerity,” NEW YORK TIMES, 6 September 2011; “U.N. study savages U.S., European economic policy,” REUTERS, 6 September 2011; “UN agency warns of risk to economic growth,” SYDNEY MORNING HERALD, 7 September 2011.

## **EVENTS & RESOURCES**

### **Vacancy**

The Office of the Chief Trade Adviser (OCTA) for Forum Island Countries, based in Port Vila, Vanuatu, is seeking to appoint a full-time Chief Trade Adviser. The position will involve overall management, operation, team performance and leadership of the OCTA; providing timely, high quality analytical advice in areas relevant to PACER Plus activities and negotiations and other areas as instructed by the FICs; representation of the FICs when directed by the FICs; and various other duties. More information about the position, including information on how to apply, is available at the organisation’s website; applications should

be received by close of business on Friday 14 October 2011.

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## Events

16 September, Washington, US. **ENGINEERING CHINA'S FINANCIAL REFORM.** This event, hosted by the Carnegie Endowment for International Peace, will focus on the possible impact that financial reform could have on China. While China remains an engine of growth in an increasingly unsettled global economy, it also faces many challenges, including high inflation, the potential of a housing market bubble, and volatile global liquidity conditions. Nigel Chalk, the International Monetary Fund mission chief for China, will give his views on the importance of financial reform, how it can help rebalance China's economy, and the risks involved. He will be joined by Yukon Huang of the Carnegie Endowment and Nicholas Lardy of the Peterson Institute for International Economics. More information on the event, including registration details, is available on the event [website](#).

19 September, Geneva Switzerland. **A WTO FRAMEWORK AGREEMENT FOR SUSTAINABLE ENERGY.** This event, organised by the Institut du développement durable et des relations internationales (IDDRI) and ICTSD as part of the WTO Public Forum, will focus on the sustainable supply of energy, which is a critical issue from both the viewpoint of climate change and of energy security. The purpose of this session is to get a sense of the challenges that the development of a sustainable energy supply are likely to raise in terms of international trade rules, to increase awareness of these issues within the trade community in and beyond Geneva, and to acquire input in order to move forward with an integrated framework for sustainable energy in the WTO. The event will feature clean energy experts and representatives from the private sector, academia, and government on the state of play of clean energy support (including production subsidies and feed-in tariffs), climate-friendly goods and services, and other issues involved in the development of a

sustainable energy supply. More information is available [here](#).

19 September, Geneva Switzerland. **THE POST-TRIPS WORLD.** This event, organised by the Max Planck Institute for Intellectual Property and Competition Law (MPI) and ICTSD as part of the WTO Public Forum, will focus on the future of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). As the post-TRIPS world takes shape, the impact of TRIPS on innovation in general, along with its impact on the level of worldwide intellectual property (IP) protection and on the way in which IP laws are applied in practice, are among various topics that have taken on renewed importance. First, proactive measures to ensure an adequate calibration of international IP protection would send a strong political signal to those using bilateral or multilateral agreements as a lever to increase the standards of protection. Second, considering TRIPS in its entirety is an apt complement to efforts currently taking place under the aegis of the World Intellectual Property Organization (WIPO) to integrate development concerns and regulate particular types of limitations and exceptions. The session will consider all these developments and place them in the larger context of ongoing activities aiming to shape the post-TRIPS world. More information about the event is available [here](#).

19-21 September, Geneva, Switzerland. **WTO PUBLIC FORUM.** The 2011 Public Forum will provide an opportunity for the public at large to identify the principal trade challenges that impact the multilateral trading system and consider solutions to ensure that the WTO effectively adapts and responds to our quickly changing world. The discussion will encompass four core themes: food security; trade in natural resources; made in the world and value-added trade; and what lies in store for the trading system. These themes will structure the discussion around the future of the multilateral trading system and how the WTO can promote coherence at the international level to better address world problems and contribute towards improved global governance. More information can be found on the event [website](#).

19-21 September, Davos, Switzerland. **WORLD RESOURCES FORUM 2011.** The World

Resources Forum (WRF) supports a science-based platform to exchange knowledge about the economic, political and environmental implications of global resource use. This bi-annual conference aims to bring the broader issues of global resource consumption and resource productivity onto the agenda. Topics for discussion include sustainable resource use and poverty eradication in developing countries, the rise of the bio-economy in China and Europe, and resource efficiency in a time of global transition. More information, including registration details, are available at the event [website](#).

19-20 September, Geneva, Switzerland. **ENHANCING SOUTH-SOUTH CO-OPERATION: PROMOTING SMES FINANCE.** This seminar, hosted by the Global Network of Exim Banks and Development Finance Institutions (G-NEXID), will include discussion of development financial institutions in the post-global crisis period, with a special emphasis on Small and Medium Enterprises (SMEs). The challenges and opportunities for SMEs in the emerging “green market” will also be one of the various topics featured at the event. The discussion prompted by these subjects will be used in charting out the future plans of the G-NEXID, which was launched in 2006 with support from the United Nations Conference on Trade and Development (UNCTAD) and the Exim Bank of India. More event details are available [here](#).

21 September, Geneva, Switzerland. **PREPARING FOR RIO 2012: TRADE OPPORTUNITIES AND CHALLENGES IN A GREEN ECONOMY.** This ICTSD-organised event, held during the WTO Public Forum, aims to generate a broader and deeper understanding of Green Economy issues as they relate to trade. The session will be part of a consultative process on trade and the green economy in the lead-up to the Rio 2012 meeting and will focus on presenting new perspectives and exploring potential ways forward. Up until now, the preparatory process for Rio 2012 has met with obstacles due to anxiety or unease among some parties with regard to the Green Economy concept, specifically due to trade-related concerns and fears of green protectionism. These issues merit more nuanced exploration, and would strongly benefit from

input from the trade community, as the debate so far has been limited mainly to the environment community. Topics for the session will comprise: the role of subsidies in greening key sectors, including sustainable energy; greening Aid for Trade; and the evolving nature of intellectual property, technology transfer and innovation with regard to environmental technologies. More event details are available [here](#).

## 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 open to WTO Members and accredited observers only.

14 + 16 September: Trade Policy Review Body – India

19 September: WTO Public Forum

20-21 September: WTO Public Forum

## Other Upcoming Events

22-23 September, Washington, US. **COMERCIO Y CAMBIO CLIMÁTICO EN AMÉRICA LATINA (TRADE AND CLIMATE CHANGE IN LATIN AMERICA).** This seminar is being co-organised by the Inter-American Development Bank (IDB) and the Economic Commission for Latin America and the Caribbean (ECLAC) and will take place at IDB headquarters. The principal goals of this gathering are, on the one hand, to highlight the growing importance of the linkages between trade and climate change and, on the other hand, to field a debate over how public policies can help support the international integration of the region in a context characterised by lower carbon emission requirements. To that end, authorities from various trade ministries of the region, along with trade and climate experts and private sector representatives, will be in attendance to discuss these issues. For more

information on ECLAC and other events, please visit the organisation's [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 Direct 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](#).

27-29 September, San José, Costa Rica. LATIN AMERICAN AND CARIBBEAN CARBON FORUM (LACCF). The Latin American and Caribbean Carbon Forum (LACCF), which was first launched in 2006, is a regional event established to promote knowledge and information-sharing while facilitating business opportunity environments among main carbon market stakeholders from the private, public, and financial sectors. In light of the widespread uncertainty as to the architecture of the carbon market post-2012, organisers hope to promote discussion among market stakeholders on topics such as emission trading schemes, climate change mitigation politics, increasing low carbon investments in Latin America and the Caribbean, and the future of the Clean Development Mechanism (CDM). This conference is jointly organised by the World Bank, the International Emissions Trading Association (IETA), the Latin American Energy Organization (OLADE), the United Nations Environment Programme (UNEP) Risø Centre, the Inter-American Development Bank (IDB), and the United Nations Framework Convention on Climate Change (UNFCCC). For more information about the event, please visit the [website](#).

13 October, Geneva, Switzerland. TRADE, INVESTMENT AND CLIMATE CHANGE: SEARCHING FOR PROGRESS ON KEY ISSUES. This conference, hosted by the International Institute for Sustainable Development (IISD) at WTO headquarters in Geneva, will examine how unilateral action on climate change fits into the international trade and investment law regime. In particular, it will address the validity of green industrial policies and preventative measures for competitiveness loss and leakage, and explore the role of the trade community in securing international co-operation and solutions. More information about the event is available at their [website](#).

25-26 October, Atlanta, US. BUSINESS OF INNOVATING: BRINGING LOW-CARBON SOLUTIONS TO MARKET CONFERENCE. This event, hosted by the Pew Center on Global Climate Change, will explore how to accelerate the business innovation needed to achieve carbon emission reductions while maintaining economic growth. The conference will profile effective methods used by leading companies to bring low-carbon technologies to market; the Pew Centre will release a report focusing on this subject at the event. Representatives from the business, government, academic, and NGO communities will be in attendance at the conference. To learn more, or to register for the event, please visit the [website](#).

1 December, New York, US. SUSTAINABILITY LEADERSHIP FORUM AND MASTERCLASS. This event, hosted by The Sustain Group, aims to cover a number of different sustainability elements. Discussion topics include the implementation of legislation and its impacts on business and the community, a look at the carbon tax and emission trading scheme (ETS) programmes in New Zealand and Australia, responses by business and government to climate change policies, and a comprehensive look at case studies spanning across a multitude of sectors. A webcast of the day will be posted to the forum for those unable to attend. More information is available at the [website](#).



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## Resources

FARM POLICY IN THE US AND THE EU: THE STATUS OF REFORM AND THE CHOICES AHEAD. By David Blandford, Tim Josling, and Jean-Christophe Bureau for the International Food & Agricultural Trade Policy Council (September 2011). As the EU prepares for further reforms to its Common Agricultural Policy (CAP) for the post-2013 period and the US Congress seeks to pass a new Farm Bill for 2012, both are likely to face heightened scrutiny as to whether these reforms will meet budgetary standards and whether they will be consistent with environmental objectives. This paper examines various approaches for helping agriculture and biofuels to meet the stated and implicit objectives of US and EU farm policy, while remaining cognizant of the likely impacts on the US and EU's international objectives. It ends with recommendations for policy improvements, focusing on how direct payments and risk management tools in the farm sector can be used in conjunction with measures to improve competitiveness. The publication is available [here](#).

GLOBALIZATION AND LABOUR MARKET OUTCOMES. By the International Labour Organization (ILO) (June 2011). This two-day event, hosted by the International Labour Organization, focused on recent research on globalisation and labour market outcomes, and included a policy forum for presenting results to the public and the policy implications of those results. Despite the recovery of growth and international trade, employment figures continue to be disappointing in many countries around the world. Even before the crisis, public opinion polls in both industrialised and developing countries showed an increasingly negative view on the impact of globalization on the labour market. As a result, policy makers at both the national and international level are increasingly looking for new strategies to promote more and better employment in a globalising world and to regain public support for further trade and investment liberalization. The video of this event shows discussion among participants regarding new evidence on the impact of trade on distribution of real incomes, the effects of off-shoring on welfare and wages, and adjustment to trade at the

occupational and industry level. The conference video is available [here](#).

THE TRADE EFFECTS OF PHASING OUT FOSSIL-FUEL CONSUMPTION SUBSIDIES. By Jean-Marc Burniaux, Jean Chateau, and Jehan Sauvage for the Organisation for Economic Co-operation and Development (OECD) (26 August 2011). A co-ordinated multilateral removal of fossil-fuel consumption subsidies over the 2013-2020 period would increase global trade volumes by 0.1 percent by 2020, according to this report. While seemingly negligible, this increase hides large disparities across countries (or regions) and products. Oil-exporting countries are the most affected in relative terms since they record a large decrease in exports of their energy-intensive industries. This decrease is partly compensated by an increase in exports of OECD countries and their higher imports of energy products that result from lower world energy prices. A multilateral removal of fossil-fuel consumption subsidies would also result in a 10 percent reduction in global greenhouse-gas emissions by 2050, compared to a scenario where subsidies are not removed. For more information, or to download the paper, please visit the [website](#).

INVESTING FOR SUSTAINABLE DEVELOPMENT? A REVIEW OF INVESTMENT PRINCIPLES – TRENDS AND IMPACTS. By the International Institute for Environment and Development (July 2011). This study addresses the question of how investors can be encouraged to consider more than commercial and short-term gains, and instead incorporate social, environmental, and governance criteria into investment decisions. While Increasing numbers of organisations are signing up to these principles for reasons that range from improving their reputation to minimising risks and improving long-term investment prospects, the impact of these principles on sustainable development remains unproven. The paper focuses on four major principles - the United Nations Principles for Responsible Investment (PRI), the Equator Principles, the Environmental and Social Principles of the European Investment Bank (EIB), and the Organisation for Economic Co-operation and Development (OECD) Declaration on International Investment and Multinational Enterprises. The study finds that the main impact



of investment principles on sustainable development so far is mitigation of the worst effects of investments, rather than a shift in the underlying basis of decision-making. The authors call for better monitoring of these principles' effects, as well as improved understanding of what broader institutional changes are required to further support sustainable development. The paper is available [here](#).

WASHINGTON DECLARATION ON INTELLECTUAL PROPERTY AND THE PUBLIC INTEREST. (August 2011). This new multi-stakeholder declaration demanding that the public interest be returned to intellectual property rights was issued this week and is open for signatures. The declaration contains numerous principles and actions, such as restraint in enforcement, open access, and development priorities, that the drafters hope will help change the course of IP policymaking. The document was negotiated in late August by non-governmental groups, academics, and others. It details ways in which the global position of IP rights has shifted toward more protection through the push of developed countries, and seeks to temper that move. It offers a range of recommended actions, aimed at issues such as limitations and exceptions to copyright, reining in IP enforcement, promotion of open access, and implementing development agendas. The document can be viewed [here](#).