



Bridges Weekly Trade News Digest

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LEAD STORIES

WTO Public Forum Draws Civil Society to Geneva to Discuss Future of Multilateral Trading System

With the shadow of Doha and the ongoing financial crisis hovering in the background, representatives from civil society, academia, business, government, and the media flocked to the WTO's Geneva headquarters this week for a series of over forty sessions centred on the future of the multilateral trading system. Talks at the 19-21 September meetings were organised around this year's Public Forum theme, "seeking answers to global trade challenges."

The events, which drew 1500 registered participants, were divided into four sub-themes: food security, made-in-the-world and value added trade, trade in natural resources, and the future of the multilateral trading system. The various panels covered a broad spectrum of issues, ranging from access to medicines to the implications of the Arab Spring on the trade world to lessons learned from preferential trading agreements.

"A world in need of a compass"

The struggles facing the Doha Round of trade talks – and the potential implications of the current impasse for the WTO as a whole – were not lost on either the audience or the panellists, especially in light of the uncertainty caused by the global financial crisis. Nonetheless, participants largely remained upbeat and focused on a multiplicity of issues facing the WTO and the system more broadly.

At the high-level plenary kicking off the three-day event, Costa Rican President Laura Chinchilla emphasised to listeners that "in the midst of this crisis of confidence which has affected financial institutions, the WTO is a strong pillar of

international legal certainty.” However, she acknowledged that the slow pace of the talks were “weakening trust in the system.”

WTO Director-General Pascal Lamy, in a one-on-one interview at the forum with Zeinab Badawi, presenter of the BBC’s *World News Today*, rebuffed notions that the Doha Round was dead. “It’s not an animal. International negotiations are in a category where the notion of life and death is a bit different, which is why the analogy with a living organism may be misleading.”

Questions also surfaced about whether the WTO membership would indeed move toward pursuing standalone agreements from the Doha negotiating agenda. Responding to this speculation, Lamy clarified that this avenue was one that members “are exploring to see whether we can exit this situation.” He added that the scope of Doha was not the problem, as some suggested; rather, it is “putting that many topics into one single negotiating bag.”

Lamy also addressed some of the concerns about the growing proliferation of preferential trade agreements, and whether these could cause harm to the multilateral trading system. “I don’t think we can afford a fragmentation of world trade through bilateral regulatory approaches,” he told Badawi, alluding to the fear that “deeper” preferential trading agreements – those that go beyond border measures – could create a “spaghetti bowl” effect of overlapping regulatory regimes.

Preferential trade agreements, which were the subject of this year’s World Trade Report (see Bridges Weekly, [28 July 2011](#)) featured in various panels throughout the three-day gathering, whether with regards to intellectual property rights provisions, regulatory coherence, or stumbling blocks for a proposed trans-Pacific agreement (for more on the Trans-Pacific Partnership, see our related article in this issue).

Food security issues draw particular attention

Against a backdrop of an ailing global economy, a deadlocked Doha trade deal, and high and volatile global food prices, the relationship between farm trade and food security was a recurring theme at

this year’s Public Forum. Agricultural export restrictions, biofuel policies, and the long-term outlook for supply and demand dominated the food security discussions – irrespective of whether the sessions were organised by farm industry groups, civil society organisations, or by the WTO secretariat itself.

With Doha talks on farm subsidy disciplines and market access seemingly stalled, and with no immediate resolution in sight, speakers dissected trade challenges facing policymakers in the longer-term – often making reference to more active international political processes such as discussions among the Group of 20 leading economies, or in domestic farm policy debates in the US and EU.

The growing problem of food security also drew an impassioned request from Niger President Mahamadou Issoufou, who asked for help from NGOs and the WTO Aid for Trade initiative in combating the effects of the food crisis. Issoufou told the audience that “increased [food] prices have caused riots in our countries.”

“Made in the world” trade on the rise

“Made in the world is the world today,” Lamy told the audience at the inaugural session, underscoring the growth in global value chains in recent years. The implications of this shift featured in a variety of sessions, touching on issues such as rules of origin, the impact of the growing proliferation of bilateral agreements, and even the connection of global value chains with climate change.

“The reason why we still have ‘made-in’ [labels] has to do with bilateral preferential agreements,” Lamy added, noting that these agreements have less influence in a world of globalised production.

Speakers at a Monday panel organised by the WTO’s Economic Research and Statistics Division urged that a more co-operative approach to this change in the structure of international trade might be needed, given its implications for the development of both developed and developing countries.

A better understanding of how each stage of the production process contributes to carbon flows

would also be essential, some panellists argued at a climate change-focused session on Tuesday, suggesting that this could be achieved once trade regulation takes “value added” at each production stage more into account. Underlining this point, Peter Allgeier, former US Ambassador to the WTO, declared “traditional yardsticks of evaluating trade liberalisation no longer work,” noting that nearly one third of US trade was intra-company.

Climate change, intellectual property rights

Various discussions at the forum also touched on the need to move past market access concerns in order to counter the adverse effects of climate change. Speakers presented a series of initiatives on natural resources and sustainable energy that could inform upcoming discussion in Durban, South Africa, and Rio de Janeiro, Brazil, in the upcoming year.

Panellists also emphasised the need for improved international co-operation in climate technology development, investment, and diffusion.

Intellectual property rights also surfaced in several of the event discussions, particularly with regards to innovation and access to medicines, along with creating debate on whether stronger intellectual property rights were related to increased or decreased growth in high and low income countries.

More information

Further details on the Public Forum, including audio and video from the inaugural sessions, are available [here](#).

ICTSD reporting.

Panel Rules US ‘Dolphin Safe’ Label Too Trade Restrictive

The US’ “dolphin safe” labelling practice for tuna products have been deemed WTO illegal, according to a ruling issued on Thursday 8 September. The panel ruled that the label – which is meant to inform consumers on the use of

dolphin-friendly fishing practices – was unnecessarily trade restrictive. However, the three-member panel disagreed with the complainant Mexico that the label also discriminated against Mexican tuna on the basis of nationality.

News of Mexico’s victory was leaked in July (see Bridges Weekly, [28 July 2011](#)), but the details of the ruling were not available until now.

The global trade body’s ruling on the subject had been the subject of much anticipation, given the current backdrop of product labels’ growing importance for issues such as biofuels, fair trade commodities or low-carbon intensive appliances. Notably, the panel’s take on whether the US label was a mandatory regulation – which it confirmed – rather than a voluntary standard – which it denied – had been considered crucial for the future of labelling standards.

“The WTO ruling is a crushing blow to the label ‘dolphin-safe,’” Mexican Economy Secretary Bruno Ferrari said in a first statement to Associated Press.

“It opens the way for Mexican producers to enter the US market without restrictions, as is their right.”

Those plans, however, may have to be put on hold as the US retains its right to appeal the decision.

“We do not exclude the possibility of an appeal,” Andrea Mead, spokeswoman for the US Trade Representative’s (USTR) office, commented in an initial statement. If Washington chooses to appeal, then it would need to be submitted within the next two months; a final ruling would then be issued late in the first quarter of 2012.

“Dolphin-safe” attacked on multiple levels

At the core of the dispute is the US policy of disallowing “dolphin-safe” labels on tuna caught in the eastern Pacific Ocean with “purse-seine” nets – encircling nets which can frequently ensnare unwanted marine life such as dolphins in addition to those targeted – which are used by Mexican fisheries.

Mexico claimed that the labelling practice has the effect of blocking Mexican tuna from the US market. Washington, in turn, has rejected the claim, stating that its labelling rules do not discriminate against Mexican products, as the label is available to all tuna products independent of their origin (see Bridges Trade BioRes Review, Volume 5, Number 1, [April 2011](#)).

Mexico City also argued that the label was unnecessarily trade restrictive and that the US failed to comply with relevant international agreements.

Mexico's tuna fleet continues to use purse-seine nets, but is nonetheless compliant with international standards – most notably the Agreement on the International Dolphin Conservation Program (AIDCP). Mexico, the US, and others had negotiated AIDCP in response to an earlier international trade dispute between the countries over a similar issue.

The international standard follows a “non-injury” rather than a “finishing-method” approach, meaning that tuna caught with purse-seine nets can qualify for dolphin-safe labels, provided that independent veterinarians certify that no dolphins were injured.

The panel sided with the US in deeming the labelling policy non-discriminatory, concluding that the measure did not favour US tuna products or those of other origins over those from Mexico.

The panel also backed the US claim that the AIDCP international label standard did not constitute an effective and appropriate means of fulfilling legitimate US objectives. This was because, in the opinion of the panel, the standard failed to guarantee the level of dolphin protection pursued by the US. The AIDCP standard only informs consumers whether dolphins were killed or seriously injured by the fishing method, but fails to inform consumers of other adverse impacts caused by the fishing methods, the panel concluded.

Nevertheless, the panel found that the US dolphin-safe labelling provisions were more trade-restrictive than was necessary for informing consumers and protecting animal health, and were

thus inconsistent with the WTO's Agreement on Technical Barriers to Trade (TBT).

The TBT Agreement requires that technical regulations “are not prepared, adopted or applied with a view to, or with the effect of, creating unnecessary obstacles to trade.” According to the panel, the “dolphin-safe” label only “partly” fulfilled the objective of dolphin protection, as it did not address the observed mortality caused by other tuna fishing methods outside the eastern Pacific Ocean.

Environmentalists lash out against ruling

The ruling has quickly drawn public attention, with a number of consumer and environment groups harshly criticising the decision.

“A WTO tribunal is telling American consumers that having the product labels that we rely on to make sure that our shopping and dining choices do not result in dolphins being killed is a WTO violation,” said Lori Wallach from the Washington-based consumer rights advocacy group Public Citizen in a press release. “It makes very real the threats these overreaching ‘trade’ pacts pose.”

The ruling marks the third time the WTO and its predecessor, the General Agreement on Tariffs and Trade (GATT), have gone against American policy on dolphin protection.

The decision comes only weeks after another dispute panel had ruled a US trade ban for flavoured cigarettes, including clove cigarettes which are exclusively produced in Indonesia, WTO illegal (see Bridges Weekly, [7 September 2011](#)). The ban had been introduced as part of a legislation aiming to prevent minors from smoking, posing the argument that minors often get introduced to tobacco through such flavoured products. Menthol cigarettes, however, which are equally dangerous but are produced exclusively in the US, were exempted from the ban.

Both decisions – Tuna and Clove Cigarettes – have been criticised heavily by consumer advocacy, environmentalist, and public health groups in the US. Online discussions in relevant forums and media responses suggest that these

two defeats could hurt the US public's perception of the WTO even more.

An ICTSD dialogue on the case, held in parallel with the WTO Public Forum, suggested that the case, along with the panel's approach and analysis, would continue to garner attention both for its specifics as well for the systemic implications.

ICTSD reporting; "WTO panel rules US tuna labels too restrictive," ASSOCIATED PRESS, 16 September 2011.

OTHER NEWS

Trans-Pacific Talks Inch Forward at Chicago Meeting

The eighth round of talks for the proposed nine-country Trans-Pacific Partnership agreement showed movement in several areas, according to reports, with negotiators now ready to address "sensitive areas." The negotiations, held in the US city of Chicago on 9-15 September, also drew pro-labour activists pushing for strong labour standards, and saw the US present a drugs plan for discussion. Negotiators are aiming to have an outline of an agreement by November's Asia Pacific Economic Cooperation (APEC) Leaders' meeting.

The nine countries currently involved in these Pacific trade discussions are Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the US, and Vietnam; negotiations have been ongoing since early 2010. Some observers expect the TPP Agreement to serve as a template for a future trade pact among all 21 APEC countries.

USTR spokeswoman Carol Guthrie, speaking prior to the talks, outlined the Obama Administration's goal as follows: "to craft a high-standard, 21st-century agreement that tackles the tough issues of trade in creative and thoughtful ways." If enacted, the TPP Agreement would phase out tariffs on 11,000 tariff lines.

According to reports from the USTR's office, negotiators are near closure on areas such as customs, technical barriers to trade, telecommunications, government procurement, small- and medium-sized enterprises, regulatory coherence, competitiveness, and development. However, areas such as intellectual property and investment will still require more work, they said.

Barbara Weisel, an assistant US Trade Representative, told reporters that issues that "could easily be dispatched have been dispatched," while more sensitive issues are now coming to the forefront. There are currently 26 chapters under negotiation in the prospective accord.

US presents drug plan, draws cool response from NGOs

The issue of intellectual property rights with regards to medicine has drawn substantial attention from US lawmakers, with nearly three dozen US senators sending a letter to USTR Ron Kirk on 12 September urging him to "propose a strong minimum term of regulatory data protection for biologics consistent with US law." Current US law allows for 12 years of protection for biologics, which are vaccines and drugs made from living cells.

Meanwhile, at the Chicago talks, US negotiators introduced a drug plan known as Trade Enhancing Access to Medicines (TEAM). While the texts of the actual plan and its relationship to US laws protecting biologics were not made publicly available, a white paper outlining the plan's goals has been published. The plan would establish a "TPP access window" to speed up access to medicines, eliminate tariffs on medicines and medical devices, and improve legal certainty for manufacturers of generic medicines. The paper also urged that TPP parties reaffirm their commitment to the Doha Declaration on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health.

USTR Ron Kirk, in a statement, explained that "these Trans-Pacific Partnership proposals will help to drive access to innovative and generic medicines, through tariffs cuts, intellectual property provisions, and a host of other measures

that will help boost the availability of life-saving innovative and generic medicines to people throughout the Asia-Pacific region.”

Guthrie further clarified that, while some TPP countries already have zero tariffs on medicines, others have tariffs in the range of five to ten percent. “We seek a commitment from TPP partners not to impose such barriers,” Guthrie clarified.

Initial reactions from advocacy organisations, however, were lukewarm to the TEAM initiative, citing concerns over the paper’s lack of specifics and fears that intellectual property rights might not be relaxed enough to improve access to medicines. In a [press release](#), Peter Maybarduk of Washington-based advocacy group Public Citizen insisted that “the Obama administration is rapidly heading in the wrong direction, at the expense of global public health.”

His thoughts were echoed by Judit Rius Sanjuan, the US manager of Médecins Sans Frontières’ (MSF) Campaign for Access to Essential Medicines. “The USTR paper on the TPP and access to medicines, released today, is misleading and puts forth the fundamentally flawed premise that speeding up market entrance of brand-name, monopoly-priced drugs will, in itself, solve the challenge of access to affordable medicines,” she said.

Fears over the intellectual property provisions of the prospective accord have long been expressed by public health groups, many of which worry that the TPP could contain stricter rules than those in the WTO’s TRIPS Agreement and, as a result, make it difficult for developing countries to access medicines (see Bridges Weekly, [23 March 2011](#)). These groups have also claimed that the US’ current stance in the trans-Pacific negotiations deviates from their position on intellectual property rights in 2007, when the US was negotiating an FTA with Peru. In that case, the US legislators passed a bipartisan agreement that included special flexible optional provisions on health related matters, enabling the FTA to receive Congressional approval while at the same time answering to public health concerns (see Bridges Review, [August 2007](#)).

Labour rights still in question

The Chicago meetings drew pro-labour activists to the event, arguing for pro-labour safeguards to be included in the agreement. Democrats have also been urging US President Barack Obama to proceed on those same lines, suggesting that the pact include labour provisions that were part of a May 2007 deal reached during the administration of former US President George W. Bush.

The Bush-era agreement includes, among other provisions, the option of using trade sanctions to enforce labour provisions. Observers suggest that this could be of particular concern for Brunei, Malaysia, and Vietnam.

Vietnam chief negotiator Ng Bee Kim, speaking to Reuters, did not comment in detail on whether those types of provisions would meet his country’s approval, but did explain that Vietnam has labour laws and is a member of the International Labour Organization; further discussions would have to wait until after the US proposes labour texts.

According to Reuters, the US will present proposals on texts regarding state-owned enterprises prior to next week’s TPP negotiations in Peru; US proposals on labour rights will likely take longer to finalise.

Next steps

The next round of negotiations is scheduled for October in Peru; negotiators are said to be aiming for an outline of the TPP deal by the November 8-13 meeting of APEC leaders in Honolulu, US.

ICTSD reporting; “US offers drugs plan at Trans-Pacific trade talks,” AFP, 12 September 2011; “U.S. Says Good Progress Is Made Toward Nine-Nation Pacific Trade Agreement,” BLOOMBERG, 15 September 2011; “Senators want IP rights defended in trade talks,” THE HILL, 12 September 2011; “UPDATE 2-Trans-Pacific trade talks on “solid path” to deal-US,” REUTERS, 15 September 2011; “US delays sensitive topics in Trans-Pacific talks,” REUTERS, 14 September 2011.

Bonn Climate Discussions Touch on Trade Topics

Delegates and experts gathered this week in Bonn, Germany at the headquarters of the United Nations Convention Framework for Climate Change (UNFCCC) to discuss the possible negative impacts that arise from actions to address climate change.

So-called “response measures,” as they are referred to in international climate agreements, are policies or programmes that countries carry out in order to reduce their carbon emissions, such as implementing emissions trading schemes or regulating international transport. The climate Convention and its Protocol both aim to minimise such measures having detrimental consequences on other countries. Beyond general discussions, however, no concrete steps have ever been taken to implement the agreement on this issue.

At the annual climate conference held in Cancun, Mexico last year, countries agreed to formalise a process in 2011 to discuss this issue more concretely and consider developing a work programme for the future. Climate negotiators are scheduled to meet in Durban, South Africa in two month’s time to discuss a legally binding climate deal; this week’s meeting served as a workshop to discuss ideas and exchange views in order to facilitate a concrete decision at the Durban gathering.

Aviation, communication issues spark debate

Developing countries in particular expressed their concerns over a wide range of trade-related response measures and the potential impact of these on their respective economies. One particular topic that generated substantial interest was the inclusion of aviation into the European emissions trading scheme (see Bridges Weekly, [8 June 2011](#) and Bridges Trade BioRes, [11 July 2011](#)). Remote island states with a heavy reliance on tourism are particularly concerned about facing a carbon cost on international aviation, as any “carbon tax” on airline tickets could deter tourists from travelling to distant destinations.

Another issue that drew strong responses was reporting and information sharing. Some Parties, in particular among the developed countries, underlined that there are several channels for communication on mitigation measures, and expressed their wish to enhance the use of these channels. This stands in stark contrast with a view expressed by many of the developing country Parties present at the workshop, who insist that one-way communications, such as national communications, are a poor substitute for a more interactive process.

Developing countries argue that having a more interactive process would allow for discussions about the potential impacts of mitigation efforts to be held at the early stages of policy implementation or design. Holding those discussions in the earlier stages could possibly help countries avoid potential problems that might otherwise require the use of the WTO dispute settlement mechanism.

The only consensus that could be reached between the conflicting Parties in this respect was that reporting would need to be strengthened, without any specifics on how to accomplish this.

A clear divide stands between developed and developing countries on how to deal with the topic. Notably, however, only the EU, Japan, and Canada were present from the developed country side. Meanwhile, other developed countries whose national policies may also negatively impact their neighbours or trading partners were absent from the discussions. The EU – which traditionally takes the lead among developed country parties in climate mitigation and financing for adaptation – was therefore left to explain their policies on its own.

All countries will be present in Durban, however, for the final decision-making.

UNFCCC or the WTO: Which is the right venue?

In addition to a discussion on substance, various exchanges centred on the respective roles of the UNFCCC and the WTO in dealing with trade and climate change issues, given each organisation’s current mandate.

Although there seemed to be convergence among the officials present regarding the mandate of the WTO in the field of trade issues, it was repeatedly expressed that the UNFCCC also has its own role to play, particularly when it comes to discussing and analysing different measures, if not in rule-making, reform, and dispute settlement. The latter three areas fall clearly within the purview of the WTO.

Challenges remain on road to Durban

Despite the positive and collaborative spirit that observers found present during the workshop, the response measures topic remains controversial and may prove challenging for negotiators in Durban.

Attempts by the workshop chair to reach a few conclusions that might help in the Durban session dissolved into a drafting exercise where every word received careful scrutiny before negotiators could attain a modest general agreement.

One of the few conclusions reached, however, was the recognition of the need for a common space to enhance understanding of response measures, thus indicating that there is a certain support for the forum to continue beyond Durban.

ICTSD reporting.

G-20 Set to Share Farm Data, Ag Research

Efforts toward establishing a new agricultural market information system and improved attention on agricultural research for development kept officials from the Group of 20 financial powers busy last week. Keeping to the schedule outlined by Agriculture Ministers in a June 2011 Action Plan, the group is moving quickly to address various areas of global agricultural policy in advance of the November gathering of G-20 heads of state.

Experts have argued the lack of co-ordinated data on food has been a critical issue in the food price increases of recent years, along with lack of

productivity growth in developing countries. The G-20 represents 60 percent of world agricultural exports and 70 percent of production.

Agricultural Market Information System in the works

In Rome, senior officials, many of them advisors to G20 Agriculture Ministers, agreed to a Terms of Reference for creating an Agricultural Market Information System (AMIS). Made up of a secretariat, a technical expert group and a rapid response forum, the System will monitor prices, trade, production forecasts, and stocks for rice, wheat, soybeans, and maize.

AMIS will begin by gathering data from G-20 members and Spain. "Participation is likely to expand over time in terms of the food and countries," Carmel Cahill of the Organisation for Economic Co-operation and Development (OECD) told an audience at the WTO Public Forum yesterday, 20 September.

The UN Food and Agriculture Organization (FAO), World Bank, OECD, and World Food Programme have already committed staff to the project, according to sources. The effort will "build on existing resources, knowledge, and personnel," Cahill added at the Forum. Other agencies are likely to commit financially or in kind.

Governments will be expected to share data in a "best effort" manner and will receive support through capacity development to harmonise information. Experts from G-20 capitals, part of the Technical Group, will ensure the flow of data to AMIS.

A source close to the discussions in Rome told Bridges that some countries may balk at sharing sensitive information, such as on food stocks. They cautioned that others may prove hesitant toward supporting the monitoring of policy developments, such as export restrictions. Argentina, India, and Russia are G-20 members that have applied export restricting measures on food in recent years.

The G-20's June Action plan called for private sector involvement in AMIS (see Bridges Weekly, [29 June 2011](#)). A Rome-based expert told Bridges

that private sector data collection and analysis may conflict with the system, since many firms rely on a disparity in available information to take on or hedge against risk. He noted that goods with high variability in prices and or output, such as wheat, may warrant such treatment.

Cahill told the Public Forum that AMIS data would be as “open and transparent as possible,” adding that web-based availability would ensure that countries not in the G-20 would still have access. Monthly bulletins on data and policy as well as an annual report are expected by the middle of next year.

The AMIS-led Rapid Response Forum would allow officials close to Ministers to prevent uncoordinated policy decisions that may aggravate the growing food security problem, added Cahill.

Speaking to Bridges, some civil society representatives in Rome criticised the G-20 meetings on AMIS for their secrecy. The Terms of Reference of the group and other documents were not made available to Bridges on request.

Agricultural research for development

G-20 technical experts also agreed to share information, form partnerships within the Group’s agricultural research systems and coordinate efforts through a [“G20 Commitment to Agricultural Research for Development.”](#)

Mark Holderness, a host of the Montpelier event as Executive Secretary of the Global Forum on Agricultural Research, told Bridges that experts would be looking at closing the research gap in agriculture by better co-ordinating resources. Public-private collaboration, he noted, would allow for the development of products, such as cheaper vaccines, that farmers would otherwise be unable to pay for or may not provide a viable market on their own.

Rushing between Rome, Montpelier, and Paris, officials from G-20 capitals and technical experts from international organisations are preparing for more work ahead of World Bank and IMF meetings next week.

ICTSD reporting; “G20 focus on small farmers could improve world food security - experts,” ALERTNET, 14 September 2011.

IN BRIEF

China Restrictions on Rare Earths Prompt EU, US, Japan Gathering

Officials from the EU, US, and Japan have agreed to meet in Washington in October to find ways to reduce demand for China’s rare earth exports, according to both reports from the US Department of Energy and a recent EU proposal. The plan comes in the wake of China’s recent decision to halt production of the minerals at three major mines in Jiangxi province, a move that is expected to cut global supplies and raise global prices. In addition to exploring options for reducing demand and ensure rare earth supplies, observers suggest that officials are likely to discuss their next move on the subject at the WTO.

The US and Japan are the largest importers of China’s rare earth metals, which are critical ingredients for the manufacture of many high-tech, strategic, and green industrial goods. However, the threat to the EU might be the most critical, due to environmental restrictions it has imposed that may prevent it from opening up new domestic supplies. EU officials have already made clear their disappointment with China’s announcement in July that it would further tighten its rare earth quotas (see Bridges Weekly, [20 July 2011](#)).

The EU responded to China’s mine closures last week by developing a plan to work in concert with the US and Japan to reduce global demand for the minerals.

Next stop: WTO?

Each of the major economies is considering a range of responses to counteract China’s supply restrictions. The EU has promised to raise the issue in two major meetings with senior-level Chinese officials in October and December.

Brussels has also mimicked earlier moves by the US, Japan, and South Korea to stockpile the metals and augment future supply restrictions.

In the upcoming meeting, the EU, US, and Japan are expected to discuss increasing domestic production, reducing industrial demand, increasing imports from other international suppliers such as Canada and Australia, and finding new ways to substitute for the rare earth ingredients in the production of high-tech goods.

In addition, observers expect the EU, US, and Japan to discuss WTO litigation of the issue in the October meeting, given that each has previously considered taking legal action on this issue. China justified its mine closures by citing concerns over the environmental damages that result from production of the rare earths. However, similar justifications for export restrictions of other raw materials were summarily rejected by a WTO dispute settlement panel in July in a dispute brought against China by the US, EU, and Mexico (DS394, 395, 398). China submitted an appeal to the global trade body in late August (see Bridges Weekly, [7 September 2011](#)).

China is the world's leading producer of rare earth minerals, supplying over 95 percent of the metals to companies around the world. China began stockpiling rare earths in 2010 and reduced global exports by 40 percent by June 2011. Two-thirds of China's production of rare earths originates in Inner Mongolia, where in February the state-controlled Baotou Steel Rare-Earth (Group) Hi-Tech Co. began building ten warehouses to store the minerals in response to government stockpiling initiatives.

Prices rapidly on the rise

China's actions have had a severe short-term impact on global rare earths prices. In August, prices peaked as hedge funds and other speculators anticipated large price hikes. The prices of some rare earth elements have surged by as much as 2000 percent, [according to General Electric](#). Prices eased in September, but they will remain high in the medium-term as the US, EU, Japan, and other major rare earths importers struggle to find alternative supplies and to reduce demand for rare earth metals.

Foreign companies have expressed concern that state-controlled producers, such as Baotou – also known as Bao Gang Rare Earth – might further consolidate China's control over the global rare earths industry. According to the New York Times, the Chinese government has made a concerted effort to close 31 private rare earth processing companies and force four others into mergers with Bao Gang, making it the overwhelming giant of rare earth extraction in northern China.

Similarly, Beijing is consolidating producers in Jiangxi province, where the remainder of its production takes place. Foreign firms say they fear that discrimination by Chinese companies will restrict their supplies of the critical raw materials and favour Chinese industrial producers. Foreign governments are similarly concerned that China's actions will distort international trade, a primary motivation for the EU, US, and Japan as they consider taking legal action.

ICTSD reporting; "Rare earth prices soar as China stocks up," FINANCIAL TIMES, 19 June 2011; "China Consolidates Grip on Rare Earths," NEW YORK TIMES, 15 September 2011; "China halts rare earth production at three mines," REUTERS, 6 September 2011; "EU to develop rare earth substitutes with US, Japan," REUTERS, 7 September 2011; "EU wants rare earth clarity from China: trade chief," REUTERS, 14 September 2011; "US, EU, Japan To Discuss Rare Earths In October," REUTERS, 9 September 2011; "China Moves to Strengthen Grip Over Supply of Rare-Earth Metals," WALL STREET JOURNAL, 7 February 2011.

WTO IN BRIEF

India WTO Review Highlights Growth, While Urging for More Reforms

The last four years have seen strong economic growth in India, largely as a result of trade liberalisation and structural reforms set in motion in the 1990s, according to a new WTO secretariat

report on the country's trade policies. While the country has done well to avoid the adoption of protectionist trade measures in response to the global economic crisis, the report found room for improvement in areas such as agricultural import tariffs, transparency in government procurement, and the use of anti-dumping measures.

WTO members met on 14 and 16 September to review the report from the trade body's secretariat; the report, known as the Trade Policy Review (TPR), praised India's promotion of sustainable growth through trade policy and foreign direct investment. The review also lauded India's ability to use trade policy for the achievement of long term goals, such as promoting economic growth.

However, the secretariat warned, India's tendencies toward using trade policy for resolving short term problems such as inflation could be counterproductive. The report noted that using trade policy instruments for such purposes "may detract somewhat from the stability sought, as this requires constant fine tuning of policies, rendering the trade regime more complex."

Members at the review largely acknowledged India's efforts in reducing average most favoured nation (MFN) tariffs; during the period under review, MFN tariffs fell from 15.1 percent in 2006-7 to 12 percent in 2010-11. Attempts in India to "streamline customs procedures" were also commended by both members and the secretariat report, particularly the adoption of an electronic customs clearance system.

Agriculture, antidumping policies draw notice from members

Agricultural tariffs and anti-dumping measures took centre stage in the review's suggestions for further improvements, and drew particular attention from the US at the review.

Despite an overall drop in tariffs, the review reported an agricultural tariff rate of 33.2 percent, compared to 8.9 percent for manufactured goods. This protective trade policy is propagating "low productivity and modest growth rates," the report cautioned.

US Ambassador Michael Punke, in his statement at the review, acknowledged the challenges posed by inflation in India; however, he also called for increased openness in the country's trade policies, placing particular emphasis on "long-term reductions in agricultural tariffs, and removal of unjustifiable sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) impediments on agricultural imports."

Chairperson Mario Matus, who is also Chile's ambassador to the global trade body, also highlighted in his concluding remarks the questionable "scientific basis for certain [SPS] measures adopted by India" and urged the country to eliminate those technical standards that were acting as trade barriers.

Similarly, the review cited India as one of the highest users of anti-dumping measures, which target products whose price abroad is less than that in their country of origin.

The secretariat report found that India had initiated 209 anti-dumping investigations against 34 trading partners in the period covered by the review period, imposing 207 anti-dumping measures; this was an increase from the 176 anti-dumping investigations and 177 anti-dumping measures initiated during the previous review period.

The US also spoke out about transparency concerns, citing "India's failure to submit required notifications to the WTO, particularly in the areas of agriculture [and] subsidies," and not regularly engaging in public notifications of matters impacting trade and investment as a source of difficulty for those firms seeking to conduct business in India.

Doha issues creep into discussion

While the review generally praised India's involvement in the Doha Round negotiations, the US made a point in its remarks to bring up the long-standing differences between the US and India in the struggling trade talks.

Punke noted that, while the US "support[s] India's use of an open trade policy" to fulfil objectives of inclusive growth and economic development, such

support “underscores our disappointment in India’s reluctance to participate in meaningful market opening through the Doha Round negotiations, despite India’s place as one of the world’s fastest growing economies.”

The US has long disagreed with Brazil, India, and China over industrial sector tariffs, with the US arguing for mandatory participation in ‘sectorals,’ i.e. the cutting of tariffs across an entire industry. Washington has asked that emerging economies take on greater responsibilities when it comes to non-agricultural market access, in order to reflect their growing role in the global economy.

More information

Trade policy reviews are held for all WTO members; the global trade body’s rules mandate that the four largest traders – China, the EU, Japan, and the US – undergo such reviews every two years, with other countries having longer lag times between reviews. The last review of India’s trade policies was in May 2007.

ICTSD reporting; “WTO slams India’s trade policy on food items,” THE ECONOMIC TIMES, 15 September 2011; “US slams slow, opaque Indian trade policy,” REUTERS, 14 September 2011.

EVENTS & RESOURCES

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](#).

23-25 September. Washington DC, US. 2011 ANNUAL MEETINGS OF THE WORLD BANK GROUP AND THE INTERNATIONAL MONETARY FUND (IMF). The Annual Meetings of the the World Bank Group and the International Monetary Fund (IMF) each year bring together central bankers, ministers of finance and development, private sector executives, and academics to discuss issues of global concern, including the world economic outlook, poverty eradication, economic development, and aid effectiveness. Seminar topics during the meeting include discussion of disaster resilience, the growing role of the South in trade policy, new growth plans for the Euro zone, preparing for future crises, and the role of financial reform in transforming China’s growth model. For more information, including the full meeting agenda, please visit the [website](#).

26 September-5 October, Geneva, Switzerland. 49th SERIES OF MEETINGS OF THE WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO) ASSEMBLIES. This meeting will allow WIPO’s 184 Member States to take stock of progress within the organisation and to discuss future policy directions. Important issues will be the Programme of Action for the LDCs into the next decade, reports from several WIPO committees concerning the Intergovernmental Committee on Intellectual Property and Genetic Resources, and progress on budgets and internal projects. For event information and access to the agenda, visit the WIPO [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](#).

25-27 September, Paris, France. G20 LABOUR MINISTERIAL MEETING. This gathering of labour ministers from the Group of 20 (G20) leading economies will focus on the social aspects of global management, specifically those of labour and employment. This meeting will focus on four main issues: improving employment among the young, enhancing social protection, promoting social and employee issues, and strengthening cohesion between international organisations and government policies. More 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.

22-23 + 23 September: Committee on Regional Trade Agreements

26 September: Committee on Trade in Financial Services

26+30 September: Negotiating Group on Trade Facilitation (followed by Inf.)

27 September: Dispute Settlement Body

27 September: Working Party on Domestic Regulation

28+30 September: Trade Policy Review Body – Mauritania, Guinea Conakry

28 September: Working Party on GATS Rules

Other Upcoming Events

20-22 October. Basel, Switzerland. POVERTY AND THE INTERNATIONAL ECONOMIC LEGAL SYSTEM: DUTIES TO THE WORLD'S POOR. This conference, hosted by the University of Basel and funded by the Swiss National Science Foundation and the University of Basel's Faculty of Law, will examine "duties to address poverty" from multiple economic law viewpoints. Speakers will address how the legal systems of trade, investment, financial regulation, and commercial arbitration affect poverty, either on a conceptual or more case-specific level. Other subjects on the agenda include regional approaches to poverty; particularly vulnerable groups among the impoverished; dispute settlement; and corruption. Contributions at the conference will be edited into a multi-chapter publication to help spawn further collaborations and solutions. For more information, as well as registration details, please visit the conference [website](#).

27-28 October, Mexico City, Mexico. EL DERECHO ECONÓMICO INTERNACIONAL: DESAFÍOS DEL MEDIO AMBIENTE (INTERNATIONAL ECONOMIC LAW: ENVIRONMENTAL CHALLENGES). This joint conference of the WTO Chairs of Chile and Mexico will bring together regional experts to discuss the challenges that the multilateral trading system is facing. The conference will examine the relationship between international economic law and the environment. The aim of the conference is to determine the most important lessons for the region regarding investment, services, subsidies, intellectual property, dispute settlement, and the creation of policies and agreements. The conference will serve to generate original Spanish-language research that will be published in the *Revista de Derecho Económico Internacional* (Journal of International Economic

Law). For more information visit the Centro de Derecho Económico Internacional [website](#).

8-13 November, Honolulu, US. ASIA-PACIFIC ECONOMIC COOPERATION FORUM 2011. The United States will host the 2011 meeting of the Asia Pacific Economic Cooperation (APEC) forum in November 2011, in Hawaii. APEC's 21 member economies today account for 55 percent of global gross domestic product (GDP) and comprise a market of 2.7 billion consumers. The Concluding Senior Officials Meeting will take place from 8-9 November. The Finance Ministers will meet on 10 November, and a Ministerial Meeting will take place on 11 November. The APEC Economic Leaders Meeting will take place on 12-13 November. More information is available on the official event [website](#).

Resources

CONTROLLING ILLEGAL LOGGING: IMPLEMENTATION OF THE EU TIMBER REGULATION. By Jon Buckrell and Alison Hoare for Chatham House (June 2011). The EU Timber Regulation, which is due to come into force in 2013, will adopt a broader definition of 'illegally harvested' and apply it to both imported and domestically produced timber. The Commission will ensure that operators will be unable to place illegal timber or timber products on the European market. Operators will be required to employ a due diligence system, either their own or that of a monitoring organisation. To ensure the effectiveness of the Regulation, guidance will be needed on both the definition of 'placing on the market,' the authors suggest, as well as how to undertake risk assessments, and clarification on offences and penalties. Having a uniform approach to undertaking risks and third-party verification will be essential to a smooth transition, the authors find. The paper is available for download [here](#).

ON EUROPE'S FRINGES: RUSSIA, TURKEY AND THE EUROPEAN UNION. By Philip Hanson for Chatham House (July 2011). This briefing paper focuses on the relationships that Russia and Turkey, both neighbours of the European Union, have with Brussels. With Moscow's and Ankara's powers waxing, and

Brussels facing a series of economic struggles, the relationships between these players will increasingly involve political will and economic factors, the author argues. The author argues that the EU should revive efforts to engage Turkey, which is more economically and politically closer to Europe than Russia; the EU's relationship with the latter is more one of mutual energy dependency, the paper finds. The paper is available for download [here](#).

FOOD PRICE WATCH. By the World Bank (August 2011). The devastation in the Horn of Africa, due largely to civil unrest and widespread drought, has placed more than 12 million people in dire need of humanitarian assistance. Global prices of food in July 2011 remain significantly higher than their levels in July 2010 and close to the 2008 peak levels, with the World Bank Food Price Index increasing by 33 percent in the last year; meanwhile, domestic food prices continue to fluctuate substantially. Vulnerability to high food prices depends on a number of factors specific to each country and the impact can vary substantially among population groups within the same country. Therefore, an effective response needs to balance emergency interventions for the most vulnerable with longer-term initiatives, and differentiate between those who are at severe risk from those less affected, the authors argue. An integrated agricultural, food security, poverty, and climate agenda needs to be put in place, the report finds. Managing long-term risks will also require monitoring prices of food regularly. The report can be viewed [here](#).

AGRICULTURAL PROGRESS AND POVERTY REDUCTION. By Joe Dewbre, Dalila Cervantes-Godoy, and Silvia Sorescu for the Organisation for Economic Co-operation and Development (OECD) (August 2011). This OECD study compares twenty-five countries that have made substantial progress in poverty reduction, in order to understand why some countries are doing better in this endeavour than others – especially considering the Millennium Development Goal to halve global poverty by 2015. As countries develop, economic growth patterns continually shift making it difficult to balance macroeconomic, social and sectoral policies to encourage poverty reduction. Three key questions addressed are: the importance of

agricultural income relative to other earned income sources in reducing poverty; other similarities between countries that have succeeded in reducing poverty; and which government policies are effective. For more information, or to download the paper, please visit the [website](#).

GROWTH IN EMISSIONS TRANSFERS VIA INTERNATIONAL TRADE FROM 1990 TO 2008. By Glen Peters, Jan Minx, Christopher Weber, and Ottmar Edenhofer for the Proceedings of the National Academy of Sciences (PNAS) (March 2011). Although there have been attempts made at developing regional climate policies, growth in global carbon emissions continues to be strong. Developed countries – in this paper, those who have made emission reduction commitments in the Kyoto Protocol, Annex B – have been able to stabilise emission levels during the 1990 to 2008 time period; however developing countries' (non-Annex B) emissions have doubled. Some studies suggest that the stabilisation of emissions in developed countries was partially because of growing imports from developing countries. The authors find that emissions from production of traded goods and services increased from 20 to 26 percent of global emissions during the 1990 to 2008 time period. The study's results indicate that international trade is a significant factor in explaining the change in emissions in many countries, from both a production and consumption perspective. The authors suggest that countries monitor emission transfers via international trade, in addition to territorial emissions, to ensure progress toward stabilisation of global greenhouse gas emissions. The article is available [here](#).