



# Bridges Weekly Trade News Digest

*Weekly trade news from a sustainable development perspective*

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## LEAD STORIES

### Consensus Remains Elusive as WTO Ministerial Looms

WTO members are struggling to find consensus on a host of topics as the 15-17 December ministerial meeting draws nearer. Despite a plethora of proposals on possible non-Doha work, ranging from least developed country (LDC) accessions through to humanitarian food aid, deep-seated divisions between members continue to stymie progress on even a low-ambition outcome for the gathering, sources say.

Amid growing uncertainty over whether trade ministers will be able to reach agreement on a joint ministerial declaration, with one official calling it a “more and more remote possibility,” some trade officials told Bridges that the conference might now aim merely to produce a ‘chair’s statement’, describing some of the issues that ministers had discussed.

Although less authoritative than a collective communiqué by members, the tactic could allow the global trade body to skirt some of the disagreements that have emerged in the wake of countries’ recognition that the Doha Round of trade talks remains at an impasse.

Another option being considered was a “chair’s summary,” one official told Bridges; like the statement, a summary would be taken on the General Council chair’s responsibility. The last WTO Ministerial Conference, held in Geneva in 2009, also produced a chair’s summary at the end of the event.

A chair’s statement, however, could also have more binding elements in terms of “soft decisions,” the official explained.

However, a chair's statement "might give the impression that ministers didn't lend their full weight to the process," one Geneva delegate acknowledged.

### **Plan for Doha remains unclear**

While the ministerial meeting is intended to address both the WTO's regular work programme and the future of the Doha talks, ongoing controversy over the latter question reportedly led to tense discussions between major economic players at the G-20 summit in Cannes last week (see related article in this issue).

The US, India, China and Brazil haggled at length over the precise wording of the final communiqué for the Cannes event, according to sources familiar with the discussions.

In Geneva, the same countries have also been locked in discussions over draft wording to describe what should be done about Doha, as part of a group of around 15 ambassadors that have been meeting on a weekly basis for some months now. While the group had reportedly reached broad agreement on language recently, sources said that this had encountered difficulties over new proposals to agree on a work programme for 2012.

"We should put [Doha] in the deep freeze for two years" said one official, who argued that negotiators could then return to the draft texts that were tabled earlier this year once the political climate had improved (see Bridges Weekly, [27 April 2011](#)).

Others cautioned that, unless negotiators keep talking, the progress achieved so far could be lost completely. "2012 risks becoming a lost year" said one official, who argued in favour of a work programme of discussions on trade issues.

The language of the G-20 communiqué did provide some guidance, one developing country source noted; however, "how to operationalise" this guidance is where the tough part comes in.

WTO Director-General Pascal Lamy is continuing to hold consultations with members on how to

proceed with the Doha process, the same official added.

### **Lack of consensus on non-Doha proposals**

With little consensus on the non-Doha proposals that have been tabled to date, the chair of the General Council has told delegates they should continue to seek agreement on issues for the ministerial – despite an unofficial deadline of 2 November by which members were supposed to have achieved consensus on their proposals and then tabled those items for the meeting's agenda.

Individual committees can continue discussing issues under their remits in the weeks ahead of the next General Council meeting, scheduled for 1-2 December, delegates said.

The African Group has also submitted a set of proposals, including for a 'standstill provision' that would freeze domestic support for cotton at historically-low current levels. In addition, net-food importing developing countries have argued in favour of a work programme on food price volatility. The African Group has also proposed providing greater flexibility to least-developed and developing countries that wish to join the WTO.

The G-90, which includes the African Group, the ACP (African, Caribbean, and Pacific) Group, and least developed countries, is also bringing a proposal on mainstreaming development within the scope of the Committee on Trade and Development.

A cross-regional group of countries has also tabled a proposal to exempt humanitarian food purchases from agricultural export restrictions, based on language originally agreed by the G-20 (see Bridges Weekly, [2 November 2011](#)).

Consultations on these proposals are expected to continue in the weeks ahead. The General Council Chair, Ambassador Yonov Frederick Agah of Nigeria, is also holding consultations regarding subjects for "soft decisions," or areas where ministers might provide political guidance, a Geneva-based official told Bridges. These discussions will focus on the importance of the multilateral trading system, along with trade and development.

**Russia, government procurement appear on track**

Currently, the ministerial conference is widely expected to approve Russia's long-standing bid to join the WTO; the formal Working Party on Russian accession is scheduled to meet on 10 and 11 November to finalise remaining technical issues. Sources familiar with the talks note that, while there are a fair amount of technical details that are being discussed, there is no issue that seems unlikely to be resolved.

The announcement last week that Russia and its neighbour Georgia had reached a compromise deal resolving their disagreements on trade monitoring along their shared border removed the last major hurdle remaining in Russia's 18-year accession process (see Bridges Weekly, [2 November 2011](#)). The compromise was largely made possible via the mediation of Switzerland, which trade sources note was "instrumental" in achieving an agreement.

Last month, the chair of the WTO committee on government procurement also announced that the 42 countries currently finalising the Government Procurement Agreement (GPA) talks were quickly approaching the finish line (see Bridges Weekly, [19 October 2011](#)). Unlike the Doha Round of trade talks, the GPA does not extend to the entire WTO membership, applying only to those countries that choose to sign on to the process.

Other countries are also working on acceding to the agreement, notably China. Another meeting of the committee on government procurement is scheduled for 15 November.

Apart from these, "the number of decisions that members take will be small," one delegate observed, adding wryly that the meeting risks becoming "the least successful ministerial since the last one."

**TRIPS non-violation, e-commerce return to ministerial agenda**

Ministers are also expected to take decisions on e-commerce and non-violation complaints under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement; both of these topics

have featured regularly on previous ministerial agendas.

In the case of e-commerce, ministers will decide whether to extend a moratorium on tariffs on goods sold for download online, such as songs; a ban on these tariffs has been in place since the 1998 Ministerial Conference.

TRIPS non-violation complaints concern whether countries should be allowed to bring WTO disputes on the grounds that the spirit of the organisation's intellectual property rules have been breached, rather than just the letter of the TRIPS agreement. A five-year prohibition on such complaints was put in place at the WTO's founding in 1995, and has been repeatedly extended at ministerial conferences ever since.

ICTSD reporting.

## OTHER NEWS

### US, China Face Off Over APEC Goals

The annual week-long gathering of leaders and ministers from 21 Asia-Pacific countries kicked off yesterday in the US state of Hawaii, amid public disagreements between the US and China over the terms of a proposed "green growth" plan. The framework for a proposed nine-country Trans-Pacific trade accord is also expected to be unveiled during the talks.

The past two weeks have seen the US and China spar openly over Washington's push for a standalone deal on environmental goods and services (see Bridges Weekly, [2 November 2011](#)), with the US' attempts to get its Asia-Pacific Economic Cooperation (APEC) partners on board for such a deal drawing scepticism from China.

On Monday, Chinese Assistant Foreign Minister Wu Hailong told reporters that, while the US' other APEC partners are taking a "fundamentally supportive" attitude to Washington's green

growth proposals, the “expectations for outcomes are too high and beyond the reach of members from developing countries.”

The US is proposing that countries lower tariffs on environmental goods to five percent by the end of 2012 and cut their energy intensity, or energy consumption per unit of gross domestic product (GDP), to 50 percent of 2005 levels by 2035.

China Assistant Commerce Minister Yu Jianhua told reporters that the list of 153 green goods and services that Washington has tabled already face tariffs of only 1.4 percent in the US, versus the nearly seven percent seen in China. The US’ proposal would thus require Beijing to make a greater-sized tariff cut than Washington to meet the five percent goal.

In response, US Trade Representative (USTR) Ron Kirk told reporters in Washington on Monday that, while he understood China’s concerns, the US is “always going to try to push the envelope and encourage our partners to be more assertive, more forward thinking.”

The US proposal also drew support from Asia-Pacific business executives on Tuesday 8 November. Deb Henrietta, the chair of the 63-person APEC Business Advisory Council (ABAC) urged that such a pact is “something that’s going to be needed for the planet and every economy is going to have start looking at how we all work together to produce goods and services that are a little bit more environmentally friendly.”

The group will be meeting with US President Barack Obama, Chinese President Hu Jintao, and other leaders on Sunday to discuss the proposed green trade pact and other issues pertaining to business in the APEC economies.

Sino-US trade tensions have been running high in recent months, whether in the form of disagreements on China’s valuation of its currency, allegations that China has not sufficiently notified the WTO of its clean energy subsidy programmes, or disputes at the global trade body.

Charles Collyns, assistant US Treasury secretary for international finance told reporters on Monday 7 November that the US intends to push China at the APEC gathering to allow its currency to strengthen more rapidly, following a commitment Beijing made on the subject at last week’s G-20 summit in Cannes, France (see related article in this issue).

Another potential trigger for disagreements between Washington and Beijing at the summit could be the US Commerce Department’s decision today to launch an investigation into allegations that Chinese solar panels are undercutting US prices and hurting businesses (see related article in this issue).

### **Proposed Trans-Pacific accord expected to take centre stage**

The nine countries currently involved in the Trans-Pacific Partnership (TPP) negotiations are also expected to meet on the sidelines of the APEC summit. The countries currently involved in the TPP talks are Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the US, and Vietnam – all members of APEC.

TPP negotiators completed their ninth round of negotiations in Lima, Peru last month, and reportedly made progress in the areas of small and medium-sized enterprises, regulatory coherence, competitiveness, and development (see Bridges Weekly, [2 November 2011](#)). However, areas such as intellectual property rights and market access still needed more work.

The pact, which US President Barack Obama has termed a “21<sup>st</sup> century agreement,” has long been the subject of criticism from NGOs, which have questioned whether the deal’s potential IP provisions might not be relaxed enough to improve access to medicines. Pro-labour activists have also spoken out over the TPP negotiations in the past, calling for the agreement to include pro-labour safeguards.

Kirk told Bloomberg on Monday that the subjects of labour rights and environmental standards are likely to be the toughest to sort through.

Many will be watching closely to see whether Japan will join the nine-country talks at the APEC summit. Prime Minister Yoshihiko Noda has indicated in recent weeks an interest in joining the negotiations, despite facing opposition from the Japanese farming industry. Critics worry that farmers may struggle to remain competitive should Japan join the pact, as doing so would require losing the country's high import tariffs on such products.

Recent reports suggest that Noda will try to make the case for Japan joining the trade negotiations at a press conference tomorrow. While Japan's business sector and manufacturing industry have expressed support for the move, the country's ruling party remains divided on the issue.

The subject of state-owned enterprises (SOEs) is also expected to feature at the TPP talks. The US tabled a draft text on SOEs last month that would impose stricter rules on such enterprises, specifically by ensuring that these firms do not benefit from subsidies that private firms are ineligible for. The move prompted a particularly strong reaction from Vietnam, which argued that there was no need for specific provisions for SOEs. The country's top negotiator also stressed that Vietnam's SOEs are already in line with WTO rules.

Alluding to Vietnam's concerns over the US' proposals, Ron Kirk told reporters in Washington that, despite possibly not reaching their highest goals, the "[US has] not been bashful about putting those issues, and why they are important to our economy, on the table."

The SOE proposals have also made it seem less likely that China will seek to join the trade pact, seeing as many of its companies are state-owned or contracted.

Assistant Minister of Commerce Yu told reporters earlier this week that China had not been invited by any party to join TPP talks, while urging that the process be made more open and less exclusive.

### More information

The 21 members of APEC are Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia,

Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, South Korea, Chinese Taipei, Thailand, the US, and Vietnam.

ICTSD reporting; "Ahead of APEC, Japan debates Pacific trade bloc," ASSOCIATED PRESS, 8 November 2011; "US to Push APEC Trade Agenda China Calls Overly Ambitious," BLOOMBERG, 8 November 2011; "US To Urge China At APEC To Allow Yuan To Strengthen More Quickly-Official," DOW JONES NEWSWIRES, 7 November 2011; "APEC business advisers urge push on green trade pact," REUTERS, 9 November 2011; "China says US APEC goals too ambitious," REUTERS, 7 November 2011; "China Criticizes US Agenda for APEC Summit," WALL STREET JOURNAL, 7 November 2011.

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## G-20 Calls for New, "Credible" Approaches on Doha

Upon finishing two days of high-level talks in Cannes, France, leaders from the Group of 20 major economies have instructed their trade ministers to pursue "fresh, credible" approaches to resolving the impasse in the WTO's Doha negotiations at the upcoming December ministerial.

At the 3-4 November Cannes summit, which took place against the backdrop of Greece's worsening political and economic woes, leaders also decided to strengthen the resources of the International Monetary Fund, rather than provide the struggling eurozone directly with funds to address the financial crisis in Europe – a move that drew both praise and concern.

The meet also saw China make a commitment to become more flexible in its valuation of its currency – a decision that was lauded by some of its major critics in this field, notably the US.

World Bank Group President Robert Zoellick, while praising leaders' overall agenda for restoring confidence in the global economy, in particular their decision to review IMF resources as a response to the crisis, cautioned that, "as with all

summit declarations, the proof will be in the implementation.”

The eurozone-heavy focus of the Cannes summit drew criticism from some developing countries, which cautioned that the financial crisis should not eclipse developing country issues. Concerns over the impact that the crisis could have on developing countries have already been raised on various fronts in recent months (see Bridges Weekly, [28 September 2011](#)).

## Doha

In a reference to the ongoing Doha negotiations, which are now finishing their tenth year, G-20 heads of state reaffirmed their commitment to the Round's mandate, while alluding to the talks' struggles. “It is clear that we will not complete the [Doha Development Agenda] if we continue to conduct negotiations as we have in the past,” leaders noted.

In a tacit acknowledgement that last year's G-20 push for finishing the Doha Round in 2011 had failed, leaders called for “fresh, credible approaches to furthering negotiations” in the coming year. In particular, they asked that such approaches be geared toward issues relevant to least developed countries (LDCs) and, “where they can bear fruit, the remaining elements of the [Doha] mandate.”

However, the idea of an “early harvest” for some Doha issues is not new, with WTO members having spent the summer examining the feasibility of preparing an “LDC-plus” package of items for the December ministerial.

Having reached the August recess without being able to agree either on LDC issues or non-LDC issues to be included in such a “mini-package,” members have since been exploring the option of taking “smaller steps” to move past the negotiating impasse in the Doha talks (see Bridges Weekly, [26 October 2011](#)).

## China currency commitment

With the past several months seeing tensions ramp up over Beijing's valuation of its currency, many were watching to see how China would respond to criticism of the yuan at the summit.

Prior to the summit, the US had promised to put pressure on China to allow its currency, the yuan, to move more freely. China's valuation of the yuan has been the subject of heated debate in Washington circles, with the US Senate voting earlier this fall in favour of a bill that would target countries undervaluing their currencies. The Senate move had spurred talk of a possible trade war between the countries, should the bill eventually become law.

China Commerce Minister Chen Deming told reporters on Thursday that calls for the yuan's appreciation mean “large capital inflows, causing major difficulties for us.”

In their action plan, leaders jointly welcomed “China's determination to increase exchange rate flexibility consistent with underlying market fundamentals.” Details on a timeline for pursuing this goal were not outlined, however.

China's decision notably drew praise from US President Barack Obama. Speaking to reporters after the summit, Obama “welcome[d] China's determination to increase the flexibility of the [yuan]. This is something we've been calling for for some time, and it will be a critical step in boosting growth.”

Meanwhile, the group as a whole repeated language from previous summit statements affirming their “commitment to move more rapidly toward more market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying economic fundamentals.”

## More resources promised to IMF, though details remain vague

World economic leaders promised to ensure that the IMF would “have resources to play its systemic role to the benefit of its whole membership,” adding that the G-20 would be ready to mobilise additional funds. IMF Managing Director Christine Lagarde had cautioned in September that the international lender's currently available resources might not be enough should the global economy take a turn for the worse.



The decision to focus on IMF funding, rather than provide money directly to EU members, was widely blamed for European stock markets struggling on Friday. Brazil and Russia were among those countries that promised to help the eurozone on the condition that such funds be channelled via the Fund.

The lack of details on how the IMF's resources will be increased also drew criticism after the Cannes event.

On Friday, German Chancellor Angela Merkel told reporters that, while G-20 leaders have agreed that the IMF and the European Financial Stability Fund (EFSF), more commonly referred to as the euro zone bail-out fund, could work in concert, details on how this would be achieved have yet to be decided.

"In the next period we will work out the guidelines for the EFSF and then all IMF members are invited to voluntarily participate [in the fund] in a way that is appropriate for them," Merkel said.

#### **Commitments on protectionism, export restrictions reaffirmed**

The use of protectionist measures and export restrictions, particularly with regards to agriculture in the latter case, have been on the rise in G-20 countries over the last several months, according to a WTO report released in late October (see Bridges Weekly, [2 November 2011](#)). The recent increases in food prices also drew calls from the World Bank asking that world economic leaders act on the food security front.

Leaders of the world's largest developed and developing economies responded to these findings in their final communiqué, echoing a pledge made at the Toronto G-20 summit in 2010 to refrain from raising or imposing new barriers to trade and investment in goods and services.

They also committed to "roll back any new protectionist measure that may have risen, including new export restrictions and WTO-inconsistent measures to stimulate exports."

Agriculture ministers at a meeting in June had agreed to remove export restrictions on food destined for humanitarian purposes via the UN World Food Programme. Leaders at the Cannes Summit endorsed this decision, along with agreeing to "act in the framework" of the action plan outlined by agriculture ministers in June.

#### **More information**

The Group of 20 official communiqué, final declaration, and action plan are all available [here](#).

ICTSD reporting; "Developing countries want G20 to refocus on world," ASSOCIATED PRESS, 5 November 2011; "Obama hails China decision to increase yuan flexibility," AFP, 5 November 2011; "China Says Attendance at G-20 Meeting Brings 'Fruitful' Results," BLOOMBERG, 6 November 2011; "China urged to let renminbi weaken," FINANCIAL TIMES, 7 November 2011; "UPDATE 1-No new language on forex seen in G-20 communique," REUTERS, 3 November 2011; "European Stocks Sour Over G-20," WALL STREET JOURNAL, 4 November 2011.

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### **Climate Finance Efforts See Progress on International, Domestic Fronts**

The promise made two years ago in Copenhagen, Denmark by developed countries to prioritise climate finance received renewed backing at this year's G-20 summit in Cannes, France. Questions regarding how much funding, how the funds are managed and disbursed, and where the funds come from, however, remain unresolved.

At the UNFCCC Conference of the Parties (COP) in Copenhagen in 2009, developed countries promised "fast start" investment of US\$30 billion a year over three years and agreed to a long-term commitment of US\$100 billion per year by 2020, to be mobilised from a "wide variety of sources."

A year later in Cancun, Mexico parties created a new fund to channel the promised financial resources to developing countries. Over the course of this year, a transitional committee has

met repeatedly to define the institutional and procedural framework of the Green Climate Fund and to lay the groundwork for the Fund to become functional.

While some observers hope the Fund will begin its work next year, developments at the upcoming climate talks in Durban, South Africa are perceived as crucial for the Fund's immediate future. Decisions reached in Durban will need to support the transitional committee's recommendations in order to move the Fund forward.

### **Climate finance still a priority, G-20 says**

Only three weeks before Parties meet for the next round of climate talks, G-20 leaders reiterated the importance of climate funding at their 3-4 November gathering. "Financing the fight against climate change is one of our main priorities," leaders of the 20 countries responsible for 80 percent of the world's economy declared.

Participating in the G-20 summit, UN Secretary-General Ban Ki-moon welcomed the leaders' commitment to address climate change issues and called for the launch of the Green Climate Fund in Durban.

Further agreement on the institutional and procedural design of the Fund is expected to be reached in Durban; however, the big question is whether UNFCCC Parties will be able to reach a greater definition on the sources of "long-term" climate financing.

Countries' opinions diverge on the issue of public versus private sources of funding. While recognising the role of public financing for supporting climate-related investments in developing countries, many developed countries emphasise the need for a large part of climate finance to come from the private sector, with some "leveraging" from public funds.

Some developing countries accept this position, as indicated in the recent G-20 communiqué, where leaders "underline the role of the private sector in supporting climate-related investments globally, particularly through various market-based mechanisms."

Many developing countries, nevertheless, insist that the majority of climate finance should be provided by the public sector, especially for the purpose of climate adaptation. The controversy surrounding the issue of funding sources might prove challenging for a decisive outcome on the Green Climate Fund at the Durban meet.

### **Climate funding today**

A recent report by the Climate Policy Initiative, a US-based think tank, provided an update of funds countries have committed to date. Their research suggests that approximately US\$97 billion per year is currently flowing into climate change mitigation and adaptation activities in developing countries.

While the results appear to indicate that levels are close to the US\$100 billion commitment made in Copenhagen, the authors found that the current numbers actually reflect a recycling and shifting of funds already dedicated to climate and other development objectives.

The Copenhagen Accord requires the funding to be "new and additional." A significant share of the current US\$97 billion in climate funding does not meet this requirement, but was already being provided prior to the agreement.

In addition, many countries and commentators claim that the US\$100 billion should come from public sources rather than being jointly provided by the public and the private sector. The majority of the US\$97 billion, however, originates from private sources.

### **Australian carbon tax passes**

On a separate climate finance front, Australia passed its controversial carbon tax legislation yesterday after months of bitter public debate. After the Clean Energy Bill was narrowly approved by the Parliament's lower house in a vote last month, the country's plan to put a levy on carbon emissions cleared its final hurdle on Tuesday 8 November, with the Senate voting 36 to 32 in favour of the tax.

The move to charge the country's biggest polluters for their emissions has faced strong



opposition from Australian industry groups (see Bridges Weekly, [7 September 2011](#)), voters, and the political opposition since it was first announced.

From 1 July 2012, the country's five hundred biggest polluters will face a carbon price of A\$23 (or US\$ 23.8, at today's exchange rate) per tonne. The tax will increase by 2.5 percent a year in real terms for the following three years before being turned into an emissions trading system in 2015. The scheme is expected to be linked with similar schemes currently in place in the EU and New Zealand.

The Australian carbon tax is aimed at making firms more energy efficient and move power generation from the currently strong reliance on coal towards gas and renewable energy. Supporters of the carbon tax expect the scheme to spur multi-billion dollar investments in new and cleaner energy sources.

Australia hopes that its carbon tax law will inject new impetus into international climate talks in Durban. Meanwhile, the US state of California will be starting its own carbon scheme in 2013, China and South Korea are working on their own carbon trading programmes, and South Africa is planning to place carbon caps on its top polluters.

When Australia's carbon law turns into an emissions trading scheme in 2015, polluters will be able to buy carbon offsets from projects overseas. As such, the carbon scheme could potentially benefit developing countries. According to Reuters, Australian company Cool nrg International is already planning to supply 45 million energy efficient light bulbs to 6.5 million low-income households in Mexico City, which is expected to save 33,000 gigawatt hours of energy – about a third of the city's annual auto emissions.

ICTSD reporting; "G-20 Leaders Endorse Green Climate Fund, Marine Protection," ENVIRONMENT NEWS SERVICE, 7 November 2011; "Australia passes landmark carbon price laws," REUTERS, 8 November 2011; "Mexico to earn royalty on light bulb carbon credits," REUTERS, 7 November 2011; "Australia Carbon Tax to Benefit Mexico, Developing Countries,"

SUSTAINABLEBUSINESS.COM, 7 November 2011.

## IN BRIEF

### EU Emissions Trading Scheme Faces Pushback from UN Civil Aviation Body

Non-EU airlines should be exempt from the EU emissions trading scheme, according to a working paper adopted by the UN's civil aviation body last week. At a 2 November meeting in Montreal, the International Civil Aviation Organization (ICAO) adopted by a majority vote a paper asking that foreign carriers not be subject to the EU scheme, which is set to come into force on 1 January.

The working paper, backed by 26 of the ICAO's member states – including China, Japan, Russia, and the US – called the inclusion of aviation in the EU scheme a violation of "the cardinal principle of state sovereignty" outlined in the Convention on International Civil Aviation (also known as the Chicago Convention).

China, which had already spoken out against the scheme on prior occasions, took a particularly strong stance at the ICAO meeting. Chinese state-run newspaper Xinhua reported that Ma Tao – China's representative to the ICAO – said that Beijing "opposes such unilateral actions firmly."

Shortly prior to the meeting, International Air Transport Association (IATA) director general Tony Tyler told reporters that the 230 airlines his organisation represents would suffer strongly as a result of the EU's plan.

"We urge the Europeans to drop their proposals and devote the energy they and other states are spending on fighting each other to co-operating on developing a [global] framework," Tyler said.

From January 2012 onward, all airlines – regardless of nationality – will be required to surrender emission permits for intra-EU flights, as well as flights to and from the EU bloc. Brussels

has insisted that including all airlines is essential for the scheme to be effective, specifically by reducing possibilities of carbon leakage. Otherwise, the reduction of emissions by EU airlines might end up being offset by a growth in emissions by non-EU airlines.

The past few months have seen tensions escalate between the 27-member EU bloc and various non-EU states over the aviation component of the EU scheme. The ICAO-backed move shortly follows the US House of Representatives' vote in favour of a bill that would make it illegal for US airlines to comply with the contentious EU system. The bill still requires Senate and presidential approval before becoming law.

The EU is also being challenged at the European Court of Justice (ECJ) by the US Air Transport Association and US airlines Continental and United (see Bridges Weekly, [2 November 2011](#)). Last month, ECJ Advocate General Juliane Kokott released an official opinion deeming that the inclusion of aviation in the EU emission trading system (ETS) is fully compatible with international law; while the Advocate General's opinion is non-binding, the court has followed them in approximately 90 percent of all cases (see Bridges Weekly, [12 October 2011](#)).

### **EU pushes back**

The eight EU states that are members of the ICAO "expressed strong reservations on a number of elements in the [ICAO] declaration," Stephane Dubois, spokeswoman for the office of the ICAO secretary general, told Bloomberg last week. Canada and Australia abstained from the vote.

EU Climate Action Commissioner Connie Hedegaard also expressed her disappointment at the outcome of the Montreal meeting, stressing that the EU was only delivering on its commitment to reduce emissions in line with ICAO-endorsed principles.

"It is disappointing that ICAO discussions once again focus on what States should not do instead of what they should do to curb growing aviation emissions," Hedegaard said in a statement.

### **'Equivalent measures' urged as an option**

In response to the concerns expressed by non-EU countries, Brussels has stressed that the scheme allows countries that enact "equivalent measures" for reducing carbon emissions from their flights to be exempt from the ETS.

China, in dialogue with the EU, is considering the implementation of a sectoral target for aviation, Hedegaard told Bloomberg. Russian officials are also expected to meet in Brussels with their EU counterparts to discuss possible equivalent measures on 24-25 November; like China and the US, Russia has also been one of the EU scheme's main detractors.

ICTSD reporting; "EU sticks to airline carbon rules despite UN opposition," AFP, 4 November 2011; "EU's Hedegaard Calls on Countries to Enact Aviation Carbon Cuts," BLOOMBERG, 2 November 2011; "UN Body Urges Europe to Omit Foreign Airlines from CO2 Curbs," BLOOMBERG, 3 November 2011; "States opposed to Europe's emissions trading scheme win ICAO Council backing but EU remains defiant," GREENAIR, 3 November 2011; "Pressure mounts on EU over jet carbon plan," REUTERS, 2 November 2011; "UN aviation body weighs in against EU carbon plan," REUTERS, 3 November 2011; "UN Aviation Body Opposes EU Emission Trading Scheme Extension," XINHUA, 4 November 2011.

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## **Pakistan to Normalise Trade Relations with India**

In a landmark move, Pakistan announced on 2 November that its cabinet had unanimously agreed to grant its neighbour – and often political rival – India most favoured nation (MFN) status. The decision is expected to substantially boost trade between the neighbours.

Most favoured nation status, which is required of WTO members, mandates that all members treat their trading partners equally. India had granted Pakistan MFN status in 1996; both countries hold membership at the global trade body.

Last week's announcement was foreshadowed by the 28 September meeting of the two countries' commerce ministers, who "agreed to jointly work to more than double bilateral trade within three years, from current levels of US\$2.7 billion per annum to about US\$6 billion."

The September statement also noted that both countries had agreed to co-operate for a "high ambition of preferential trade relations under the framework of the South Asian Free Trade Agreement (SAFTA)."

SAFTA was agreed upon in 2004 between Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka and went into force in 2006; the agreement was meant to lower tariffs among members. India has argued for years that Pakistan was not respecting their WTO commitments regarding MFN treatment, nor the terms of the SAFTA.

In September, the commerce ministers also set the November meeting as a deadline to "lay down specific timelines to normalise all trade relationships including dismantling of all non-tariff barriers." India's product quality standards and customs procedures have traditionally been criticised by Pakistan as being overly strict.

Trade relations have long been a tough issue for the two countries and have traditionally been eclipsed by political disputes and the three wars fought between themselves since becoming independent in 1947.

Pakistan had not granted MFN status to its neighbour previously due to the countries' ongoing disagreements over the Kashmir region. Prior to the WTO replacing the GATT system in the 1990s, neither country had granted the other with MFN status; India only granted it after the Uruguay Round of trade talks that established the WTO.

Pakistan's refusal to grant India MFN status in the past has never been challenged at the global trade body. The reasons for India's decision not to pursue a WTO dispute were never made clear, though many observers have speculated that New Delhi either did not consider the option viable, or

because there was already illegal trade between the two nations.

Pakistan's Information Minister, Firdos Ashiq Awan, confirmed to reporters last Wednesday that all involved, including the military, were "on board" with granting MFN status to India. Meanwhile, Indian Trade Secretary Rahul Khullar told Reuters that Islamabad's decision was a "very powerful step, and a welcome step in the right direction."

On Friday, however, a senior Indian government official told Reuters that Islamabad might be backtracking on its announcement, accusing business and political lobbies in Pakistan of forcing the move to be put on hold. In response, Pakistan's Foreign Office insisted that the country's cabinet had given approval "to move forward on MFN status in principle."

Bilateral trade between the two countries has been famously small, especially when compared with trade with other neighbours, such as China. Indian government statistics estimate that bilateral trade only reached US\$2.4 billion in the year ending on 31 March.

ICTSD reporting; "MFN status: India yet to get written confirmation from Pak," THE HINDU, 3 November 2011; "India: Pakistan Is Accused of Backtracking on Trade Pact," NEW YORK TIMES, 5 November 2011; "Pakistan-India Trade to Benefit Consumers," NEW YORK TIMES, 3 November 2011; "Pakistan grants India Most Favoured Nation trade status," REUTERS, 2 November 2011; "MFN status to India: Pak creates confusion, China welcomes move," TIMES OF INDIA, 3 November 2011; "Pakistan to Boost Trade With India," WALL STREET JOURNAL, 3 November 2011; "What They Said: Pakistan's Goodwill Gesture," WALL STREET JOURNAL, 5 November 2011.

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## US, China Solar Tensions Threaten to Eclipse Environmental Trade Talks

Rising US-China trade tensions over Chinese solar panels are threatening to overshadow a Washington-led push to cut tariffs on environmental goods and services at the annual gathering of Asia-Pacific leaders this weekend. The US Department of Commerce confirmed today that it would be launching an investigation into Chinese solar subsidies and trade practices in response to a petition filed by seven US solar manufacturers last month.

US President Barack Obama, who is hosting the Asia-Pacific Economic Cooperation Leaders' Meeting in the US state of Hawaii, potentially added to these tensions last week in an interview with a television station in Oregon.

"We have seen a lot of questionable competitive practices coming out of China when it comes to the clean energy space, and I have been more aggressive than previous administrations in enforcing our trade laws," Obama stated in the interview.

Obama added that the US would look into possible violations by China of international trade laws and "potentially bring actions if we find that the basic rules of the road have been violated."

The US has been pushing for APEC member economies to adopt a voluntary five percent cap on environmental goods and services tariffs at this week's summit, in an effort to increase trade in green goods among Pacific Rim partners. China is resisting the push, noting that such a goal is beyond the reach of developing nations. For more on the APEC summit, see our related story in this issue.

### China pushes back

Meanwhile, the prospect of the solar subsidy case moving forward in Washington appears to have put Beijing on the defensive. On Friday, a Chinese Foreign Ministry spokesman emphasised the positive aspects of China's solar industry, telling a news conference that it was a priority for Beijing

in order to address climate change and energy security. He also said that he hoped solar energy would boost Sino-US co-operation.

The Chinese Commerce Ministry took another tack, calling the investigation a "lose-lose" situation for both countries. In a statement to the Wall Street Journal, the ministry cautioned that if the US took action on the complaint, imposing stiff anti-dumping and countervailing duties on imported Chinese solar panels, the move would strongly affect US equipment and raw materials exports to China.

China's largest solar power plant developer, CECEP Solar Energy, announced on Monday that it would be putting on hold a US\$500 million planned installation of China-made solar panels in California, New Jersey, and Texas. The company's general manager Cao Huabin cited the threat of higher US duties on solar panels imported from China as the core reason for the decision.

"If solar panel prices increase by, say, 30 percent in the United States following the move, then we would certainly drop the plan because there's no profit to be made," Cao told a news conference in Beijing.

While the US Department of Commerce has decided to move forward with the investigation, the US International Trade Commission (ITC) still needs to give its approval for the investigation to proceed. An ITC investigation panel is expected to vote on the decision on 2 December.

The ITC held a hearing on Tuesday 8 November pitting a group of seven petitioners, led by SolarWorld Industries America, against those opposed to the investigation. To counter the petitioners, which have formally joined together as the Coalition for American Solar Manufacturing, the respondents launched the Coalition for Affordable Solar Energy (CASE). The group includes three leading Chinese solar companies, as well as Canadian and US firms concerned that a trade row will raise solar panel prices.

CASE's co-founder Jigar Shah echoed China's insistence that the solar subsidy case could harm the US as well as China.

"The vast majority of the existing 100,000 jobs in the solar industry are in sales, marketing, design, installation and maintenance. These jobs depend on affordably priced solar panels and companies would have to lay off workers if panel prices rose as a result of this petition," he said in a statement.

ICTSD reporting; "U.S. and China on Brink of Trade War Over Solar Power Industry," NEW YORK TIMES, 9 November 2011; "China shelves US solar project in trade row," REUTERS, 7 November 2011; "SolarWorld cheered by Obama comments on China," REUTERS, 2 November 2011; "US solar industry split on China's subsidies," USA TODAY, 8 November 2011; "China Warns of 'Lose-Lose' Situation on US Solar Probe," WALL STREET JOURNAL, 4 November 2011.

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## Debate on US Internet Piracy Bill Gains Momentum

A bipartisan bill in the US House of Representatives intended to curb online copyright piracy has sparked major controversy among Internet service providers (ISPs) and civil society in recent weeks, who worry that the move could curtail innovation and turn (ISPs) into copyright "police."

The bill, detractors say, would push control too far into the hands of the content industry and the government, with potentially serious repercussions for freedom of expression and the openness of the Internet.

The Stop Online Piracy Act (SOPA) is the House counterpart to the US Senate's pending PROTECT-IP Act, which targets "rogue" websites that are "dedicated to infringing activities." The legislation places special emphasis on websites registered outside the US.

SOPA, also known as the E-PARASITE Act (Enforcing and Protecting American Rights Against Sites Intent on Theft and Exploitation Act), was introduced in the House last month, and would allow copyright and trademark owners to obtain court orders to block foreign websites accused of hosting infringing content.

Such websites could lose access to online advertising networks and payment services, such as Google AdSense and PayPal. According to the bill's language, sites that enable or "facilitate infringement" would also be targeted.

The bill was introduced in the House by Lamar Smith, a Republican from the US state of Texas. Smith has said that the legislation's intent is to "stop the flow of revenue to rogue websites and ensures that the profits from American innovations go to American innovators."

"The bill prevents online thieves from selling counterfeit goods in the US, expands international protections for intellectual property, and protects American consumers from dangerous counterfeit products," Smith said in a statement.

## Mixed response

The Screen Actors Guild lauded the bill, saying that "left unchecked, these rogue websites threaten the vitality of the online marketplace by stealing the work of American innovators and undermining legitimate business."

Other supporters of the bill include the Motion Picture Association of America, the Council of Better Business Bureaus, the US Chamber of Commerce, and the Recording Industry Association of America.

However, in a 31 October letter to Congress, a coalition of tech industry groups – whose members include Google and Yahoo! – called SOPA "an alarming step backwards in Internet policy" that would "create a new, unprecedented private right of action regime for intellectual property."

Zoe Lofgren, a House Democrat from the US state of California whose district includes Silicon Valley, cautioned that the bill could "mean the end of the Internet as we know it."

In a similar vein, digital rights group Free Press warned that the bill "lets a corporation like Sony Music or Viacom become the Internet's judge, jury and executioner."



"If the Stop Online Piracy Act is allowed to stand, we could see the private sector's police powers expand to a point that undermines the fundamental openness of the Internet," Timothy Karr, Free Press' campaign director, said in a statement.

The House Judiciary Committee is expected to hold a hearing on SOPA on 16 November; Smith is the committee's chairman.

ICTSD reporting; "Rogue websites' bill runs into more opposition," AFP, 31 October 2011; "Debate on New Copyright Enforcement Bill Heats Up," PC World, 4 November 2011.

## EVENTS & RESOURCES

### Events

#### Coming soon

13-16 November, Kuwait City, Kuwait. INTERNATIONAL CONFERENCE ON ADAPTATION TO CLIMATE CHANGE AND FOOD SECURITY IN WEST ASIA AND NORTH AFRICA. This meeting, co-sponsored by the World Meteorological Organization (WMO), the Association of Agricultural Research Institutions in the Near East and North Africa (AARINENA), the Food and Agriculture Organization (FAO) of the UN, Ohio State University, and the International Center for Agricultural Research in the Dry Areas (ICARDA), aims to address food security and livelihood challenges in West Asia and North African countries (WANA). Objectives include: providing a better understanding of climate change impacts on agriculture and the associated vulnerability in the WANA region; developing informed decisions on practical adaptation strategies for the agricultural sector in the region; discussing ways to promote adaptation planning and implementation and integrating them into a sustainable development framework; and developing a Regional Adaptation Framework to facilitate information exchange on these matters within WANA. For more information on this

event, including a brochure, please visit the [FAO website](#).

14 November, Geneva, Switzerland. THE UN CELEBRATES SUSTAINABLE ENTREPRENEURSHIP. This event will mark the Opening Session of this year's Global Entrepreneurship Week, co-organised by the UN Conference on Trade and Development (UNCTAD), World Intellectual Property Organization (WIPO), the International Trade Centre (ITC), and the International Labour Office (ILO). An opening speech by the US Ambassador to the UN, Betty E. King, will lead into discussion on promoting sustainable entrepreneurship and strategies for successfully commercializing sustainable business ideas. Time to discuss with other participants as well as Swiss entrepreneurs and UN staff will also provide the opportunity to network with the entrepreneurial community in Geneva. For more information, see the Global Entrepreneurship Week [website](#).

14 November - 9 December, online. STRENGTHENING PARTNERSHIPS IN AGRICULTURAL BIOTECHNOLOGIES : DISCUSSING NORTH-SOUTH, SOUTH-SOUTH, PUBLIC-PRIVATE COOPERATION AND MORE. Hosted by the UN Food and Agriculture Organisation (FAO) Biotechnology Forum, this e-mail conference will focus on how agricultural biotechnologies can benefit smallholders in developing countries. The crop, livestock, forestry, fisheries/aquaculture, and agro-industry sectors will be covered, with a specific emphasis on the broad range of biotechnologies used in these sectors. The event's goal is to enable the discussion and exchange of experiences about partnerships in agricultural technologies, with the goal of benefitting the above-mentioned smallholders. For more information and instructions on how to join the conference, please visit the FAO Biotechnology Forum [website](#).

16-18 November, Bonn, Germany. BONN 2011 CONFERENCE. This conference, organised by the German Federal Government, the World Economic Forum, the World Wildlife Fund, and the International Food Policy Research Institute, will aim to make contributions to the 2012 UN Conference on Sustainable Development (UNCSD). Global trends such as population



growth and rising economic prosperity are expected to increase demand for energy, food, and water, which could in turn compromise the sustainable use of natural resources. This pressure on resources could result in shortages which may put water, energy, and food security for the people at risk, hamper economic development, lead to social and geopolitical tensions and cause lasting irreparable environmental damage, event organisers note. Action fields will focus on three dimensions: social, economic, and ecologic; these will encompass advocacy for the poor, creating more with less, and investing to sustain ecosystem services. The 500 event participants will include high-ranking decision-makers from politics, academia, UN agencies, civil society, and the private sector. For more information, visit the event [website](#).

16-18 November, Tokyo, Japan. TOKYO GREEN INDUSTRY CONFERENCE 2011. This conference aims to highlight environment/resource conservation practices that benefit businesses, the environment, employees, consumers, and communities. The event is being co-organised by the UN Industrial Development Organization (UNIDO) and Japan's Ministry of Economy, Trade and Industry. Discussions will centre on policy and business solutions for achieving a widespread uptake of proven techniques and technologies, along with enabling innovation for longer term solutions toward greater reductions in resource use and pollution. This event aims to position green industry as the sector strategy for green growth and green economy, while providing an opportunity for showcasing technology and related solutions relevant to developing and emerging countries in Asia and worldwide. Over 700 participants are expected, including government officials from 26 developing or emerging countries. For more information, please visit the event [website](#).

## WTO Events

An updated list of forthcoming WTO meetings is posted [here](#). Please bear in mind that dates and times of WTO meetings are often changed, and that the WTO does not always announce the important informal meetings of the different bodies. Unless otherwise indicated, all WTO meetings are held at the WTO, Centre William

Rappard, rue de Lausanne 154, 1211 Geneva, Switzerland, and are open to WTO Members and accredited observers only.

10-11 November: Committee on Technical Barriers to Trade

10 November: Committee on Trade and Development – Session on Aid for Trade

10-11 November: Working Party on the Accession of the Russian Federation

11 November: Committee on Trade in Civil Aircraft

11 November: Dispute Settlement Body

14 November: Committee on Trade and Development

14+16 November: Trade Policy Review Body – Ecuador

14 November: Committee on Trade and Environment

15 November: Working Group on Trade and Transfer of Technology

15 November: Committee on Government Procurement

## Other Upcoming Events

21-25 November, Kigali, Rwanda. MINISTERIAL CONFERENCE ON RURAL INFRASTRUCTURE FOR IMPROVED MARKET ACCESS. The African Union, with the Comprehensive Africa Agriculture Development Program (CAADP), will be hosting this conference. The event will explore possible areas to build upon to ensure regional and international market access for African smallholder farmers. Challenges facing this group are poor quality of rural infrastructure and affordable resource availability –two of several issues this event will address. Under the umbrella of the CAADP efforts, discussion will also consider sustainable land management, food supply, and agricultural and technological research. Five regional studies will also be conducted to provide insight into the

problem-solving process. More information on this event is available [here](#).

22 November, New York, US. UNIDO PANEL: SUSTAINABLE ENERGY FOR ACCELERATED INDUSTRIAL DEVELOPMENT OF AFRICA. This interactive panel discussion, organised by the UN Industrial Development Organization (UNIDO) on the occasion of the 2011 African Industrialization Day, will focus on the theme of “Sustainable Energy for Accelerated Industrial Development in Africa.” This topic has received particular attention in light of the UN Secretary-General’s recently-launched global initiative on Sustainable Energy for all (SE4ALL). This platform aims to provide in-depth discussion of three energy objectives for 2030: ensuring universal access to modern energy services; doubling the rate of improvement in energy efficiency; and doubling the share of renewable energy in the global energy mix. For more information about UNIDO and its work, please visit the organisation’s [website](#).

30 November – 1 December, Washington, US. STANDARDS IN SOUTH-SOUTH TRADE AND OPPORTUNITIES FOR ADVANCING THE SUSTAINABILITY AGENDA. This annual conference, hosted by the Trade Standards Practitioners Network (TSPN) – an international organisation whose membership includes multilateral agencies, bilateral organisations, research institutes, NGOs and other practitioner organisations – will focus on trade integration between developing economies. Sessions at the conference will cover topics such as co-regulation in the timber sector, determinants of standardisation in South-South trade, and the challenges and opportunities that small-and-medium enterprises (SMEs) in the regional markets face. For more information, as well as an agenda, please visit the TSPN [website](#).

5-6 December, Durban, South Africa. THE DURBAN TRADE AND CLIMATE CHANGE SYMPOSIUM. This symposium, co-organised by ICTSD, the WTO, and the Department of Trade and Industry (DTI) of the Republic of South Africa, will cover various topics within the trade and climate change sectors. By bringing together climate delegates, academics, policy analysts, and representatives from IGOs and NGOs, these

discussions will analyse current issues in climate change and development, as well as consider the future of the linkages between the multilateral trade and climate change regimes. Event partners now include Cambridge Econometrics, Climate Strategies, Center for International Forestry Research (CIFOR), Environment and Trade in a World of Interdependence (ENTWINED), Food and Agriculture Organization of the United Nations (FAO), Friedrich Ebert Stiftung (FES), International Food Policy Research Institute (IFPRI), International Institute for Sustainable Development (IISD), National Foreign Trade Council (NFTC), South African Institute of International Affairs (SAIIA), Swedish Standards Institute (SIS) Trade Law Centre for Southern Africa (TRALAC), and the World Intellectual Property Organization (WIPO). This will be held in parallel with the UNFCCC Conference of the Parties (COP). For more information, or to register, please click [here](#).

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## Resources

UNFINISHED BUSINESS? THE WTO’S DOHA AGENDA. Edited by Will Martin and Aaditya Mattoo for the World Bank (November 2011). After ten years of negotiations, the Doha Development Agenda has yet to reach a conclusion. The authors argue that there are three natural options for Doha: to enact all or parts of the draft texts as they currently stand; to substantially modify these draft texts; or to end the Round and start anew. This book aims to present an improved empirical basis as a catalyst for informed choices. Specific topics of interest include: benefits Doha currently offers individual participants; potential losses should the talks be abandoned; implications of proposed modifications to the Doha draft texts; and lessons learned from these trade talks. For more information, or to download the book, please visit the [website](#).

THE IGES PROPOSAL FOR RIO+20. By the Institute for Global Environmental Strategies (IGES), (October 2011). The first draft of this proposal was distributed at the Asian and Pacific Regional meeting for the UN Conference on

Sustainable Development (UNCSD) in October 2011 for early review, before being submitted to UNDESA as input for the compilation document for the final outcome report from Rio+20. The main focus is to relay recommendations and key insights for achieving sustainable development, based on perspectives and experiences from the Asia-Pacific region. The report discusses policy implications from recent events, such as the Japanese earthquake and tsunami in March; this proposal seeks to incorporate a long-term vision beyond Rio+20. For more information and to view the report, please visit the [website](#).

ENERGY EFFICIENCY POLICY AND CARBON PRICING. By Lisa Ryan, Sara Moarif, Ellina Levina, and Richard Baron, for the International Energy Agency (August 2011). The authors of this paper find that carbon pricing, while being a pre-requisite for least-cost carbon mitigation strategies, is not enough to overcome all barriers to cost-effective energy efficiency actions. This paper examines the justification for specific energy efficiency policies in economies where carbon pricing is in place. The report investigates existing market failures that attempt to explain the limited uptake of energy efficiency. Particular attention is given to overcoming market failures via carbon pricing in two subsectors: electricity use in residential appliances and heating energy use in buildings. The authors suggest that future energy efficiency policies be designed carefully for each sector to ensure optimal outcomes for economic, social, and climate change goals. The paper is available [here](#).

PROPOSAL FOR A GLOBAL GREEN INNOVATION AND TECHNOLOGY PARTNERSHIP. Submitted by ICTSD to the Rio+20 Preparatory Process (1 November 2011). This proposal focuses specifically on the diffusion and transfer of environmental or “green” technologies. The background provided goes step-by-step through policy enactments that have worked towards promoting, facilitating, or financing the proliferation of energy efficiency and conservation technologies. The authors outline several policy challenges, such as carbon markets’ inability to match the large scale of climate challenge; remaining obstacles in transferring technologies to developing countries; and a lack of sufficient financing. They suggest that the Rio+20

meeting examine the possibilities of replicating the precedent of the UN Framework Convention on Climate Change Technology Mechanism on a wider scale by establishing a Global Green Innovation and Technology Partnership. More information is available [here](#).