



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

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LEAD STORIES

EU Aviation Emissions Levy Ruled Lawful by European Court as Measure Enters into Force

The ongoing battle over aviation emissions reached new heights over the past few weeks, with the European Court of Justice (ECJ) ruling on 21 December that the inclusion of aviation in the EU Emissions Trading System (ETS) is indeed valid. In response, China's four major airlines threatened last week not to pay the charge under the EU scheme, while the US airline industry group that helped launch the legal challenge has pledged to consider other options to fight the plan.

The inclusion of aviation in the scheme went into effect on 1 January. Under the EU scheme, 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. For inter-regional flights, emissions are calculated for the entire last 'leg', which naturally results in higher costs for transatlantic and other long-distance flights.

Brussels has insisted that including all airlines is key for the scheme's success, specifically by reducing possibilities of carbon leakage. Otherwise, the reduction of emissions by EU airlines could end up being offset by an increase in emissions by non-EU airlines.

The court's December decision received a warm welcome from EU Climate Commissioner Connie Hedegaard. "I am of course very satisfied to see that the Court clearly concluded that the EU Directive is fully compatible with international law," she said.

"A number of American airlines decided to challenge our legislation in court and thus abide by

the rule of law. So now we expect them to respect European law,” Hedegaard continued.

Airlines that do not comply with the EU ETS could potentially be banned from EU airports, the European Commission said last week. However, the Commission is “confident” that companies will comply, Isaac Valero-Ladrón, the commission’s spokesman for climate action, told reporters in Brussels on Thursday 5 January.

Any ban against noncompliant airlines would only be measures of last resort, he added. The initial penalty for non-compliance would be a fine of €100 per tonne of carbon dioxide that has not been accounted for under the EU system. “The penalties for noncompliance are much higher than compliance,” Valero-Ladrón explained, according to the New York Times.

Court agrees with Advocate General: measure fully compatible with international law

The ruling follows the October release of an official opinion by ECJ Advocate General Juliane Kokott, which similarly suggested that the EU plan was indeed compatible with international law (see Bridges Weekly, [12 October 2011](#)). Advocate General opinions are non-binding but are meant to inform the court, which usually follows the recommendations.

The lawsuit was brought in front of the court by the Air Transport Association of America – now known as Airlines for America – along with American Airlines, Continental Airlines, and United Airlines.

After dismissing the Chicago Convention – of which the EU itself is not a member (despite all EU member states being signatories) – and the Kyoto Protocol as a basis for claims, the court examined the legality of the inclusion of aviation in the ETS scheme in the light of customary rules relating to the sovereignty over airspace and the freedom of the high seas, as well as the 2007 Open Skies Agreement between the US and the EU.

ETS not in violation of state sovereignty, court finds

Two claims took centre stage in the case: the questions of whether the inclusion of flight passages outside of European airspace had an extraterritorial effect and of whether the emission charges constitute a charge on fuel or a limitation to the frequency of traffic.

Regarding the extraterritorial effect, Airlines for America had argued that the inclusion of flights taking place in the airspace of third countries was a violation of the state’s sovereignty over their airspace and in violation both of the freedom to fly over the high seas and the prohibition for states to claim sovereignty over any part of the high seas.

However, the judges clearly rejected this view: “It is only if the operator of an aircraft has chosen to operate a commercial air route arriving at or departing from an aerodrome situated in the territory of a member state that the operator, because its aircraft is in the territory of that member state, will be subject to the allowance trading scheme.”

Once within the EU’s jurisdiction, it is up to EU legislators to decide which commercial activity they permit and on what condition, particularly when these activities are designed to fulfil the EU’s environmental objectives, the thirteen judges further ruled.

Emissions levy not a tax on fuel nor discriminatory

The Grand Chamber equally disagreed with Airlines for America that the levies constituted a tax, duty, fee, or charge on fuel, despite fuel consumption being the basis of the formula that enables the calculation of emissions.

“There is no direct and inseverable link between the quantity of fuel held or consumed by an aircraft and the pecuniary burden on the aircraft’s operator in the context of the allowance trading scheme’s operation,” the judges found.

In the view of the ECJ, it cannot be ruled out that an operator, despite having held or consumed

fuel, experiences no burden through the ETS or even makes a profit.

Regarding the potentially air traffic-limiting character of the measure and its non-discriminatory nature, the judges finally noted that the ETS did not set a limit for aircraft emissions, thereby not restricting air traffic. Even if it did, however, this would be justified on the basis of being a non-discriminatory environmental measure.

Referring to Kokott's discussion, the court agreed that there was no discriminatory treatment of EU and non-EU aircraft operators, as every operator was subject to the ETS in the same way.

The court did not examine WTO law, as the WTO's own adjudicative system has exclusive jurisdiction in this area. Airlines for America had also not made any claims in this regard. With the ECJ's rejection of the claims, however, a WTO case could become more likely as foreign aircraft and potentially their home states look for other legal remedies.

The ruling marks the last step in the road for the lawsuit under the ECJ's jurisdiction; the case will now return to the UK High Court, which had requested the ECJ to rule on the legality of the EU Directive after Airlines for America had challenged the UK's implementation thereof. EU Member States may not determine the legality of EU law themselves, but respective questions are referred to the ECJ.

Airline groups consider alternate legal options; environmental groups laud ruling

The ECJ decision was promptly lambasted by Airlines for America, a claimant in the dispute. The industry group's members and affiliates represent more than 90 percent of US airline passenger and cargo traffic.

In a [statement](#) following the ruling, Airlines for America underscored its frustrations with the decision. "Today's court decision further isolates the EU from the rest of the world and will keep in place a unilateral scheme that is counterproductive to concerted global action on aviation and climate change."

The group also argued that the European court "did not fully address legal issues raised," adding that the decision sets "a damaging and questionable precedent by ruling that the European Union can ignore the Chicago Convention and other longstanding international provisions that have enabled governments around the world to work cooperatively to make flying safer and more secure, and to reduce aviation's environmental footprint."

Meanwhile, environmental groups have been quick to [rally](#) behind the decision. Annie Petsonk, International Counsel for the US-based Environmental Defense Fund, stressed that it was "high time [that] airlines actually live up to their green claims, and comply with the EU law, which will cut pollution and spark low-carbon innovation. Americans invented the airplane, now it's time for us to create climate-friendly skies."

Bill Hemmings, Programme Manager at Transport & Environment, echoed that sentiment. "The news for airlines? The European Court has written your New Year's Resolution for you: 'We agree to join other responsible industries and start polluting less'."

China, US response

The inclusion of airlines into the EU plan has also come under heavy fire from various non-EU countries: 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.

The UN group's working paper was backed by 26 of the ICAO's member states – including China, Japan, Russia, and the US. The paper 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). (See Bridges Weekly, [9 November 2011](#)).

After the ECJ ruling, the US made clear that it continues to oppose Brussels' plan. "We continue to have strong legal and policy objections to the inclusion of flights by non-EU air carriers in the EU ETS," Krishna Urs, deputy assistant secretary

for transportation affairs at the US Department of State, said in a statement.

US officials are also reportedly considering taking retaliatory measures or pursuing legal action against the EU, according to Reuters.

Meanwhile, Chinese airlines are threatening not to pay the charges under the EU scheme.

“China will not cooperate with the European Union on the ETS, so Chinese airlines will not impose surcharges on customers relating to the emissions tax,” Cai Haibo, deputy secretary-general of the China Air Transport Association (CATA), told Reuters last week.

The industry group represents China’s four major airlines: Air China Ltd, China Southern Airlines, China Eastern Airlines, and Hainan Airlines. CATA has also hinted at the possibility of initiating legal action of its own.

Meanwhile, Chinese foreign ministry spokesman Hong Lei has called upon Brussels to hold talks with Beijing and other nations that oppose the inclusion of aviation into the EU ETS.

India, which led the 26-nation push at the ICAO against the EU plan, may respond to the ECJ ruling by asking airlines to withhold emissions data, a civil aviation ministry official told Bloomberg.

ICTSD reporting; “China calls on Europe for talks over carbon charge,” BLOOMBERG BUSINESSWEEK, 5 January 2012; “China warns EU of carbon tax ‘trade war,’” FINANCIAL TIMES, 22 December 2012; “Foreign carriers must pay EU carbon fees,” FINANCIAL TIMES, 22 December 2011; “Top EU court rules against N. American carriers in fee dispute,” GLOBE AND MAIL, 21 December 2011; “Europe Stands Firm on Airline Emissions, Raising Fears of a Trade Conflict,” NEW YORK TIMES, 5 January 2012; “U.S. weighs retaliation over Europe aviation law,” REUTERS, 6 January 2012.

OTHER NEWS

US-China Solar Subsidies Spat Sparks Interest from New Players

The trade row between the US and China over renewable energy trade policies could soon see additional players join the mix, with recent reports suggesting that India might launch its own anti-dumping probe into Chinese solar imports later this month. Meanwhile, Solarworld AG – one of Germany’s largest solar products manufacturers – is now planning to launch a case in Europe against Chinese competitors, according to the company’s top official.

The US-China disagreement over the use of renewable energy support has also pitted solar companies within the US against one another. Last month, a coalition that claims to represent 97 percent of the US solar industry asked solar panel maker SolarWorld Industries America Inc. to withdraw its petition calling for punitive duties on China for unfair subsidies.

US-China trade row puts entire solar industry at risk, warns US solar energy coalition

The Coalition for Affordable Solar Energy (CASE), which counts 145 companies as members and was founded in November in response to the SolarWorld petition, sent a letter last month to SolarWorld America President Gordon Brinser in which it argued that the tariffs the company is pursuing against Beijing could “fundamentally undermine many years of effort by all of us who care about the future of solar power.”

CASE particularly decried the short-sightedness of the petition, which – they argue – only considers the needs of solar panel manufacturers. Instead, the coalition asserts that the majority of the existing jobs in the US solar industry are in sales, marketing, design, installation, and maintenance – all of which have benefitted from the lower costs of solar panels.

In a statement announcing CASE’s formation in November, Jigar Shan, co-founder and Chairman of CASE, similarly stressed that “placing

protectionist barriers against more efficient and affordable solar cells – whatever their origin – discourages innovation and investment.”

Brinser was quick to rebuff such complaints, however, claiming that Case President Jigar Shah was just speaking on behalf of Chinese manufacturers.

CASE is attempting to persuade the Obama administration that a negotiated settlement with China would be the most effective means of solving the dispute, according to Reuters.

The SolarWorld America petition – which was filed in October along with six other US solar energy companies that requested anonymity – claims that Chinese solar panels have been illegally subsidised by the Chinese government and sold to the US at trade-distorting prices. The complaint further alleges that Beijing uses cash grants, raw materials discounts, preferential loans, tax incentives, and currency manipulation to boost its exports of solar panels.

The US Commerce Department is expected to make a preliminary decision by 13 February 2012 on whether to impose tariffs on imports of Chinese solar panels, after the US International Trade Commission voted unanimously on 2 December to allow the case to proceed (see Bridges Weekly, [7 December 2011](#)).

Meanwhile, China's Ministry of Commerce is conducting its own probe into Washington's renewable energy support, specifically with regards to wind energy, solar, and hydro technology products (see Bridges Weekly, [30 November 2011](#)). Depending on the findings of the investigation – which are expected in May – the agency could introduce duties as early as this year.

Solar industry's troubles not limited to the US

Driving the petition is Solarworld AG, SolarWorld Industries' German parent company, which reported larger than expected losses in 2011 and has seen its stock price steadily decline over the past three years.

Solarworld AG Chief Executive Officer Frank Asbeck confirmed on 8 January that the company

hopes to partner with other European firms in launching their own anti-dumping proceedings at the European Commission's competition agency, according to Bloomberg.

The economic downturn in the US and Europe, coupled with subsidy cuts imposed by government austerity measures, has hurt the demand for solar energy products. The market has also experienced a considerable surplus since 2010, when China's two largest manufacturers of solar panels, Suntech Power Holdings Co and LDK Solar Co, doubled production.

The price of solar panels has dropped 40 percent between 2006 and 2011, which has partly been blamed to the high-profile collapse of three US-based solar companies, particularly Solyndra LLC.

Indian manufacturers could join the action

The spat between US and Chinese manufacturers of solar panels could also grow to involve India, with Indian manufacturers complaining about both Chinese and American exporters.

The Indian government is reportedly considering the launch of its own anti-dumping probe into Chinese solar panels; authorities in New Delhi have also been asked by some domestic manufacturers to levy a 15 percent tariff on imports of thin-film panels. Such a tariff, if implemented, would primarily affect US-based manufacturer First Solar Inc.

Currently American and Chinese solar panels can be imported into India tax-free under exemptions for thin-film products in the Indian government's Solar Mission programme, which usually requires that developers utilise local equipment. Meanwhile, domestic Indian manufacturers must pay duties on raw materials. Furthermore, Indian projects, if they import American or Chinese equipment, are often eligible for cheap credit provided by US and Chinese state-backed lenders, thus lowering the overall cost of borrowing.

“I'm feeling a bit of anguish because we want solar to succeed but we need fair competition,” K. Subramanya, chief executive officer of Tata BP Solar, India's third-largest cell and panel maker, said.

ICTSD reporting; “Chinese companies prefer dying to being bought, JinkoSolar says,” BLOOMBERG, 6 January 2012; “India may join US-China trade spat to prevent solar ‘disaster,’” BLOOMBERG BUSINESSWEEK, 24 December 2011; “Solarworld planning China anti-dumping case in Europe, CEO says,” BLOOMBERG, 9 January 2012; “US-China solar trade dispute may see India joining with probe,” BLOOMBERG, 20 December 2011; “US solar companies urge SolarWorld drop China case,” REUTERS, 20 December 2011.

Rio+20 Draft Outcome Document Released

The preparations for the June 2012 meeting marking 20 years since the Earth Summit in Rio de Janeiro, Brazil are progressing, with parties set to start negotiating a ‘zero draft’ of outcomes. The document, circulated among UN member states, was officially released on 10 January in New York.

The Rio+20 Conference marks the twentieth anniversary of the 1992 United Nations Conference on Environment and Development (UNCED). The conference’s objective is to secure renewed commitment to sustainable development and to meet new and emerging challenges by focusing on the following themes: the green economy in the context of sustainable development and poverty eradication; and the institutional framework for sustainable development.

During the second half of 2011, the various UN regions weighed in on the preparations for Rio+20 through preparatory meetings held in these same regions (see Bridges Weekly, 7 December 2011). Governments and stakeholders from civil society, academia, and the private sector submitted their inputs to the outcome document ahead of a November 2011 deadline. The submissions were collected for a 6000-page compilation document spanning a wide-ranging area of initiatives and proposals.

From 15-16 December, the latest round of formal negotiations – an Intersessional Meeting of the Preparatory Committee for the UN Conference

on Sustainable Development (UNCSD or Rio+20) – took place at UN headquarters in New York. Participants took the opportunity to discuss the submissions and process so far, and plan for the final six months leading up to the conference in June.

Process starting to solidify

Many close to the process have lamented the fact that the timing of Rio+20 – amid growing anxiety due to the state of the global economy, growth and jobs topping the current agenda, and multilateralism on the wane – has meant that expectations are low and preparations have started off slowly.

However, some participants at the December meeting were more upbeat, saying that the process is beginning to come together. One participant noted with satisfaction the progress made towards the outcome document. In addition, a number of countries were beginning to find common ground around the idea of setting up a process to agree to ‘Sustainable Development Goals’, an initiative originally proposed by Colombia. The most important topics, including water and food security, were beginning to solidify. There was also strong support for a truly multi-stakeholder process.

Challenges also remained, however, with regards to financing, given the overall problems in the world economy. In addition, tensions around trade continued to echo, with developing countries highlighting their concerns regarding the potential for protectionism and green conditionalities.

The Outcome Document for Rio

The ‘zero draft’ Outcome Document, building on an abundant and wide-ranging amount of input, was released on 10 January, and comprises a 19-page document containing five sections: Preamble/Stage setting; Renewing Political Commitment; Green Economy in the context of sustainable development and poverty eradication; Institutional Framework for Sustainable Development; and a Framework for action and follow-up.

The first brief section stresses the commitment by heads of state and government – although their presence has not yet been confirmed – to sustainable development and the themes of the conference.

The second section reaffirms the Rio principles and past action plans supporting sustainable development. In assessing progress and implementation, the signatories acknowledge the uneven progress and current challenges. The need to engage all major groups and stakeholders is emphasised, as well as co-operation in a broad framework for action.

The third section focuses on a green economy, emphasising flexibility and the need to tailor solutions towards the needs and capacities of specific countries. It stresses that the green economy must not create new trade barriers or conditionalities on aid and finance. It proposes the creation of tool-kits and experience-sharing, and emphasises the role of different actors within a framework for implementation. The section also proposes a roadmap with the establishment of mechanisms and indicators of progress between 2012-2015; implementation between 2015-2030; and an assessment of progress in 2030.

The section on the institutional framework for sustainable development provides several options. The current Commission on Sustainable Development could either be retained as is, or replaced by a high-level Sustainable Development Council. The section also provides either for the strengthening of the UN Environment Programme (UNEP), or the establishment of a UN specialised agency for the environment operating on an equal footing with other specialised agencies.

The fifth section on a framework for action and follow-up identifies a number of key issues: food security, water, energy, cities, green jobs-social inclusion, oceans, seas and small island developing states (SIDS), natural disasters, climate change, forests and biodiversity, land degradation and desertification, mountains, chemicals and waste, consumption and production, education, and gender equality.

In terms of accelerating and measuring progress, the document sets out the idea of Sustainable Development Goals, to be devised by 2015. The document also sets up a process to create such goals, including ways to measure progress in their achievement by 2030.

The document also highlights the need for financing to make progress, calling for the fulfilment of existing goals, prioritising sustainable development, and enhancing aid effectiveness. It stresses the need for strengthened scientific and technology co-operation, and for capacity building.

There is a sub-section focusing specifically on trade, calling for the completion of the WTO's Doha Round of trade talks and stressing the need for co-operation to ensure that developing, and least developed countries in particular, are able to benefit from international trade. It supports the phase-out of market-distorting and environmentally-harmful subsidies, such as those in the areas of fossil fuels, fisheries, and agriculture. For developing countries, it supports trade capacity building to allow such countries to seize new export opportunities, including those linked to the transition to a green economy.

Finally, the outcome document will contain a compendium of voluntary commitments.

In presenting the document, Brice Lalonde, the UN's executive co-ordinator of Rio+20, said: "[The draft] is a good start. Most topics are on the table: from efficient international co-operation to sustainable development goals, from a regular review of the state of the planet to an agency for the environment, from universal access to energy to social safety floors. What is missing now is one verb: to decide. Because to stress, urge, call, recognise, underscore, encourage, support, or reaffirm is not enough. When heads of state meet, it should be to decide."

Next steps

The UN Secretary General's High-level Global Sustainability Panel is expected to release its report by the end of January. A first informal discussion on the zero draft of the Outcome Document will be held from 25-27 January.

Further discussion will follow on 19-23 March, and the next inter-sessional meeting of the Preparatory Committee for Rio+20 will be held on 25-27 March.

The last Preparatory Committee meeting is scheduled for 13-15 June, only days before Rio+20 itself, which takes place from 20-22 June.

ICTSD reporting; "Decisions must be made at Rio Earth summit, urges UN official," THE GUARDIAN, 11 January 2012.

Disputes Roundup: Beijing Introduces New Rare Earths Export Quota; DSB Busy Post-Ministerial

The contentious rare earths debate took another twist as 2011 came to a close, with China announcing in late December a new export quota for the precious materials. Meanwhile, trade lawyers in Geneva remained hard at work over the holiday season, with the WTO Dispute Settlement Body meeting twice over issues such as distilled spirits and country-of-origin labelling laws. Washington has also submitted an appeal to the global trade body regarding a panel decision from last autumn regarding the US' ban of clove cigarettes.

Environmental regulations tightened for rare earths extraction

The start of the new year has brought increased uncertainty regarding the 2012 global rare earths supply. Rare earths are used in essentially every area of high-tech production, including pharmaceuticals, military equipment, green energy technology, and information technologies.

In late December, Beijing announced its new export quota on the precious materials, which seem to suggest that the market could see a slight increase in exports throughout 2012. However, China has also introduced a new approach to allocating the quotas that could indeed reduce supply of the most precious materials.

As of 2012, Beijing will distinguish between the fairly accessible light rare earths and the most

precious heavy rare earths, allocating only about 15 percent of the quota to the latter category.

While light rare earths are generally available for lower prices in the global market, heavy rare earths are as scarce as they are needed. In addition, four of the six main rare earths materials that are expected to face supply shortage by 2015 are heavy rare earths, including europium, terbium, dysprosium and yttrium.

Dysprosium and neodymium are jointly required for virtually every magnet used in modern technology, including renewable energy technology. Europium, on the other hand, is needed for TV screens. Exports of the only light rare earths materials that are of equal importance and that might face shortage over the coming years (neodymium) have already been strategically limited over the past years by China. Neodymium is needed for wind turbines and electric vehicles, among other products.

This new distinction and its impact for rare earths exports are expected to reduce supply in heavy rare earths in the foreseeable future.

The 2012 quota is further subject to a new environmental protection regime. Export licenses can only be allocated to companies that comply with tightened environmental regulations. At this stage, according to data from the Financial Times, nearly two-thirds of all allocated licences for 2012 are pending – meaning that the already allocated quotas may only be used once environmental compliance has been approved.

As an example, Baotou Steel, which accounts for nearly half the world's rare earth production and which has been found guilty of environmental violations in the past, will have to implement additional environmental regulations by July 2012 in order to be able to execute its allocated quota.

The initial 2012 batch gives 10,546 tonnes of rare earth exports to nine companies that have met environmental protection standards.

The new policy comes after a turbulent year that was characterised by large price fluctuations and a tight export quota from China that accounts for about 97 percent of global rare earths supply.

Many analysts, along with importing countries such as Japan, the EU, and the US, saw this as a strong signal of the country's willingness to implement export restrictions to control domestic supply and manipulate world market prices.

Even when prices and demand crashed in mid-2011 the protests continued, further fuelled by a WTO panel decision that outlawed a similar Chinese export restriction regime ([DS394](#), [DS395](#), and [DS398](#); see Bridges Weekly, [6 July 2011](#)). Although panel and Appellate Body reports have no precedential effect in the WTO, the *China-Raw Materials* case was generally seen as a 'testing ground' for a potential rare earths dispute.

Beijing continuously rejected these accusations, justifying its export restrictions with environmental protection objectives. Indeed, throughout 2011 Beijing implemented a new environmental policy by limiting the illegal extraction of rare earths in China and establishing cleaner extraction policies through enforcing technology updates and limited extraction.

The announcement of the new policy comes only weeks before the appeal report in *China-Raw Materials* is expected to be released by the WTO. As China argued in favour of its export restriction regime subject to that dispute on the basis of environmental justifications, the Appellate Body's position might provide important guidance for China's new rare earths quota.

Appellate Body upholds distilled spirits panel report

On 21 December 2011, three members of the WTO Appellate Body issued a final report in the *Philippines-Spirits* case ([DS396](#) and [DS403](#)), upholding an earlier panel finding that had ruled the archipelago's differential taxes for foreign and locally distilled spirits illegal (see Bridges Weekly, [7 September 2011](#)). The Appellate Body agreed with the panellists that the products in question were 'like' for the purpose of WTO law, even though different feedstock was used to produce them.

In March 2010, the EU and the US sought WTO dispute settlement panel rulings on Filipino tax laws for distilled spirits. These laws gave favourable tax treatment to spirits produced from

'designated' raw materials, which included only local resources like sugarcane and coconut. Spirits from 'non-designated' raw materials – the majority of which were imported – were subjected to tax rates up to 40 times higher (see Bridges Weekly, [31 March 2010](#)).

Nonetheless, local coconut or sugar cane based spirits are marketed and sold as brandy, whiskey, tequila, and gin.

The Appellate Body now confirmed the panel's position that the products had to receive the same favourable treatment, as they were essentially 'like' due to their "directly competitive or substitutable" nature. The ruling once more confirms that the competitive nature of products, generally speaking, determines "likeness" more than the natural input. The finding further informs discussion on other natural resource-based products and their relationship, such as that of different biofuels or of different bio-diesels produced from different feedstock.

US appeals clove cigarettes decision

In other trade dispute news, Washington has decided to appeal the WTO panel ruling in the clove cigarette case ([DS406](#)) between the US and Indonesia. The report from 2 September 2011 found that the US 2009 Family Smoking Prevention and Tobacco Control Act banning flavoured cigarettes was in violation of WTO law, as it discriminated among domestic and foreign products (see Bridges Weekly, [7 September 2011](#)).

Indonesia had complained that the ban discriminated against its clove flavoured cigarettes, as the law did not ban menthol flavoured cigarettes. Indonesia accounts for almost 100 percent of the US clove cigarette market, while nearly all menthols sold in the US are produced domestically.

The case was the first out of three cases dealing with the Technical Barriers to Trade (TBT) Agreement in 2011 and the first out of three consumer protection cases that the US lost at the panel stage that same year due to flawed policy implementation. The panel ruling had provoked an outcry among advocacy groups in the US that saw the ruling as an attack on US' public health

regulation. A decision is expected in spring 2012. The US' submissions are already [available online](#).

Deadline in origin labelling dispute extended

The WTO Dispute Settlement Body also agreed at its 5 January meeting to extend the deadline for adoption or appeal of the panel rulings in the country-of-origin labelling requirements (COOL) cases ([DS384](#) and [DS386](#)) to 23 March 2012.

The COOL disputes involved challenges by Canada and Mexico to the US Farm Bill, which requires sales packaging to inform consumers about the country of origin of meat. The panel reports in these cases found the labelling requirements inconsistent with Washington's WTO obligations (see Bridges Weekly, [23 November 2011](#)).

ICTSD reporting; "China rare earths move unlikely to buoy prices," FINANCIAL TIMES, 29 December 2011; "China's Rare Earths Export Quotas for 2012: Rules and Regulations – Part Two," METAL MINER, 10 January 2012; "Investing in Rare Earth: Heavy vs. Light," RARE EARTH INVESTING NEWS, 24 March 2011.

US Election Year Focuses Spotlight on China Currency, Trade

With the US presidential election less than twelve months away, the US-China trade relationship – especially regarding Beijing's strict control of its currency – continues to find itself in the spotlight. Reports have emerged that the White House is planning to launch a task force this month to enforce US trade rules, focusing primarily on China, while Treasury Secretary Timothy Geithner is in Beijing this week to discuss currency and other trade matters with high-level Chinese officials.

Obama plans task force to focus on China trade

Citing unnamed people familiar with the matter, the Wall Street Journal reported yesterday that US President Barack Obama is planning to create a government panel to monitor China for possible

trade and commercial violations. The group would be known as the Enforcement Task Force, and is expected to be formally announced either during or around Obama's State of the Union address to the nation on 24 January.

The past several months have seen Beijing and Washington spar both over the currency subject and over a series of trade issues, ranging from Chinese duties on US poultry products to complaints from both sides about the other's use of renewable energy subsidies (more details on the renewable energy row can be found in the related story in this issue).

US Treasury Secretary Timothy Geithner, travelling in Asia this week, is also expected to bring up Washington's economic concerns – including China's strict control of its currency, the renminbi – during meetings with high-level Beijing officials.

"Ensuring that American businesses and workers are competing on a level playing field with China is a top priority of this administration," a US Treasury official told the Wall Street Journal in advance of Geithner's trip.

The China currency subject has featured regularly in the run-up to this year's presidential election, particularly during the fight among Republican candidates vying for their party's nomination in order to challenge Obama at the polls in November.

Republican Party frontrunner Mitt Romney has repeatedly pledged to be tough with China on the issue should he win office during the November presidential election. In particular, Romney has [promised](#) that he would label China a currency manipulator and pursue a case at the WTO.

Meanwhile, rival and fellow Republican Jon Huntsman – the former US ambassador to China who finished third in Tuesday's New Hampshire primary – has instead urged caution, warning at a November debate among Republican candidates that "you start a trade war if you start slapping tariffs randomly on Chinese products based on currency manipulation."

Beijing's strict control of its currency has long been a hot-button topic with US lawmakers; critics argue that the renminbi is largely undervalued, making Chinese exports cheaper than their foreign counterparts as a result.

In October of last year, the US Senate passed a bill that effectively would target China's valuation of its currency. The Senate bill received bipartisan support, passing in that chamber with a 63 to 35 vote. The bill requires approval by the House of Representatives and the US President in order to become law; Republican leadership in the House has to date blocked the bill from reaching the House floor.

While the Obama administration was largely reluctant to take a strong stance on the Senate bill, Obama's comments following the Asia-Pacific Economic Cooperation Leaders' Meeting in November made headlines for taking an uncharacteristically tough position on the currency subject. "Enough is enough," he told reporters, adding "there are a range of things that [China has] done that disadvantage not just the United States but a whole host of their trading partners and countries in the region" (see Bridges Weekly, 16 November 2011)

Treasury report refrains from labelling China a 'currency manipulator'

At the end of last month, the US Treasury released a report in which it again declined to label China a currency manipulator.

The semi-annual Treasury report, released on 27 December, reviewed the exchange rate policies of ten economies that together account for 70 percent of US foreign trade; the report had originally been scheduled for release on 15 October, but was delayed so that the agency could assess the outcomes of the G-20 heads of state summit and the Asia-Pacific Economic Cooperation Leaders' Meeting, both held in November. (See Bridges Weekly, 19 October 2011)

The report is often delayed, with the previous one having been scheduled for mid-April of last year and then postponed until 27 May 2011.

In June 2010, Chinese officials decided to allow the renminbi to appreciate; the Treasury report found that, once adjusted for inflation, China's currency has appreciated against the dollar by nearly 12 percent since that decision, and by nearly 40 percent since Beijing's 2005 launch of currency reforms.

In spite of these developments, however, "the process of appreciation remains incomplete," the report noted, adding that the exchange rate has "exhibited persistent and substantial undervaluation."

Despite refraining to label China a currency manipulator, the Treasury has pledged to closely monitor the renminbi's appreciation and "press for policy changes that yield greater exchange rate flexibility, level the playing field, and support a pronounced and sustained shift to domestic-demand led growth."

The report stressed that renminbi appreciation would be "in China's interest," as the lack thereof would limit the exchange rate's ability to stimulate consumption and strengthen domestic demand, especially given the Chinese government's goal of shifting from a model of export-driven growth toward one that relies more on domestic consumption.

However, China's overall trade surplus fell in 2011 to US\$155 billion, according to data released yesterday.

This marks the lowest surplus since 2005 – a development that, observers note, could ease pressure on China to speed up appreciation of the renminbi.

ICTSD reporting; "U.S. Declines to Say China Manipulates Its Currency," ASSOCIATED PRESS, 27 December 2011; "U.S. to Press for Yuan Gains While Declining to Name China a Manipulator," BLOOMBERG, 28 December 2011; "Geithner to Press China on Yuan as Support Sought on Iran," BLOOMBERG BUSINESSWEEK, 10 January 2012; "China trade surplus falls to six year low," FINANCIAL TIMES, 10 January 2012; "Geithner's Asia Trip to Focus on Iran," WALL STREET JOURNAL, 9

January 2012; “Obama Panel to Watch Beijing,” WALL STREET JOURNAL, 10 January 2012.

SPECIAL SECTION

ICTSD’s Bridges Daily Updates were published over the duration of the WTO’s Eighth Ministerial Conference, which took place in Geneva from 15-17 December 2011. The first Bridges Daily Update was published in the 14 December 2011 version of Bridges Weekly; Daily Updates 2 through 4 were sent to Bridges subscribers, and are published here in their entirety for your reference.

#2 Government Procurement Deal Heralds Start of WTO Ministerial

This article was originally published on 16 December 2011.

The WTO’s eighth ministerial conference kicked off in Geneva on Thursday morning, with 42 countries finalising a deal that would liberalise billions of dollars in public contracts. Along with this week’s scheduled accessions of Russia, Samoa, and Montenegro, the announcement lifted the spirits of trade negotiators who had otherwise expected a relatively uneventful meeting.

Public procurement deal clinched

With only moments to go until the start of the high-level meet, the Government Procurement Agreement’s 42 countries managed to eke out a conclusion to the decade-long discussions.

The revised GPA would liberalise US\$100 billion in public contracts, in addition to the US\$500 billion already covered by the pact.

The market access gains are largely expected to come from adding new entities to the pact’s coverage, such as government ministries and agencies, as well as bringing more services and goods into the agreement.

Trade sources also particularly highlighted the importance of new and simpler rules on transparency and due process in helping fight hidden protectionism and corruption, as well as facilitating the accession of other parties.

Thursday’s announcement was lauded by trade officials; on the corridors it was hailed as a new agreement for its substantial increase in market coverage and the tightening of legal obligations.

“The conclusion of these GPA negotiations is good news, and we don’t have that much good news for the moment,” WTO Director-General Pascal Lamy told reporters.

The ten years of negotiations were marred with difficulties, with long-standing disagreements between the EU, US, and Japan threatening to further delay the talks.

“Everyone didn’t get all of what they wanted,” senior Swiss diplomat Nicholas Niggli, who chairs the Government Procurement Committee, explained.

Overall, however, the global trading system “is much better off today with this decision taken,” he added.

EU Internal Market Commissioner Michel Barnier called the revised agreement a win-win opportunity that would deliver growth and jobs, as well as enhance competitiveness.

“Although you can always hope for more, this is a balanced and positive agreement and all the member states of the EU have acknowledged it as such,” he added.

Barnier said the EU had gained significantly expanded access to a number of strategic markets, particularly with regard to public spending on railway equipment in Japan, a key sector for the EU. The EU, as others, is also likely to benefit from the partial inclusion of Canada’s provincial public procurement.

The next steps for the deal include final review and legal ratification, which is expected to take three months.

China

The new pact also sets the stage for a wave of new accessions, officials said, particularly that of China.

China, with its enormous government procurement sector, agreed to join the GPA in its 2001 WTO accession protocol but subject to special negotiations.

For long China has maintained that it was not ready to abide by the imprecise rules of the old GPA, but instead insisted on a review of rules. The old rules, China feared, did not provide sufficient clarity on the type of entities and actions covered – an issue of great relevance in China’s complex governmental spending system.

The new GPA – also agreed to by China – substantially increases the likelihood of China eventually concluding its accession negotiations.

The final stumbling block in the GPA-group negotiations had also surrounded this issue, as members disagreed on the legal nature of the new accord. It now applies as a ‘revision’, replacing the old GPA once it enters into force. China is thus effectively already negotiating its accession to the new agreement – an accession that, Lamy noted, will likely bring another US\$100 billion “into the pot.”

China’s latest offer – submitted just last week – included sub-central entities, as well as agencies under the central government, although at the time of writing it was not clear which entities and/or services would be covered.

But the new offer drew a lukewarm response from some countries, with US Trade Representative Ron Kirk [stressing](#) that China “still has some distance to go” before its coverage is on par with that of current GPA parties.

Among the areas where the US is seeking changes, Kirk said, were the inclusion of state-owned enterprises in China’s offer, along with more sub-central entities and services and reduced thresholds for the size of covered contracts.

WTO officials said they expected the final offers of all 42 GPA parties to be available next week.

Lamy: WTO anchors world economy as strong storm rages

In remarks at the opening of the ministerial conference, WTO Director-General Pascal Lamy warned members that, while the multilateral trading system had helped to “anchor” national trade policies, “strong storm waves are now loosening the anchor and now risk dislodging it.”

Lamy pointed to the “turbulence and instability” that had characterised the global economy in 2011, as well as to “stuttering global growth” and high unemployment.

“In the midst of this tempest, citizens from across the globe have taken to the streets to demand stability, fairness, accountability,” he said.

He told a packed room of assembled ministers – who had waited patiently for one hour, due to a technical glitch with translation equipment – that a “freer, fairer, and more development friendly trading system is part of the solution.”

As evidence of the WTO’s achievements, he cited the conclusion of a deal on the GPA, the accessions of Russia, Montenegro, Samoa, and Vanuatu as new WTO members, along with the peaceful resolution of trade disputes under the global trade body’s Dispute Settlement System.

However, he also reprimanded the organisation’s members for failing to tackle the root causes of the stalemate in the decade-long Doha round of trade talks. “So far, you have failed in your endeavours to amend the WTO rule-book to make global trade fairer and more open,” said Lamy.

Echoing the words of the ‘political guidance’ text that is widely expected to form the basis of the chair’s summary to be issued at the end of the conference, the Director-General told the room that the Doha round was “at an impasse.”

“We need to understand the root causes of our inability to advance multilateral trade opening and a regulatory agenda, and to build a collective response,” he said.

To do this, members will need to address the “essential question” behind the blockage:

“different views as to what constitutes a fair balance of rights and obligations within the trading system, among members with different levels of development,” Lamy warned.

Although he offered no ‘silver bullet’ that would allow members to do so, he did announce the creation in 2012 of a new panel of ‘multi-stakeholders’ that would help countries look at “the real drivers of today's and tomorrow's world trade” so as “to keep transforming trade into development, growth, jobs, and poverty alleviation.”

‘Single undertaking’ versus early harvests?

Pointing to the rapidly-growing ‘emerging economies’ of the larger developing countries, US Trade Representative Ron Kirk told members that the world had “changed profoundly” since Doha began a decade ago. “Negotiations thus far do not reflect this change,” he said.

Telling trade officials in the room that their current path is not leading to a successful outcome, he cautioned that members would “need every bit of creativity we can muster in developing a different approach.”

Continued differences over the extent to which US companies would be able to access developing country markets, such as China and India, is widely believed to be at the heart of the current deadlock.

In contrast, India’s commerce minister Anand Sharma told members that, “while the last few years of the Round have been disappointing, we cannot cast aside the mandate that was so arduously negotiated.”

Capturing results from different areas of the talks where consensus was close – dubbed an ‘early harvest’ by negotiators – was an option where “we must proceed with caution,” the minister said, adding that what is currently on the table reflects years of effort.

Chinese trade minister Cheng Deming stated bluntly that “the Doha Round talks have hit the wall.” Although noting that China was “open to any new pathway,” he also argued that members

would only be able meaningfully to discuss new issues “after the Doha Round is completed” – implicitly rebutting calls from some developed countries to tackle other trade-related questions in the absence of progress in the negotiations.

In separate statements, coalitions also expressed their views on the WTO and the future of the multilateral trading system. The Cairns Group of net agricultural exporters, including both developed and developing countries, warned that “agricultural trade policy reform is unfinished business,” and argued that deadlines such as the 2013 elimination of export subsidies would remain “paper gains” until locked in through a finalised Doha deal.

Other groups – such as the small, vulnerable economies and the G-33 group that favours according additional market access flexibility to developing countries – emphasised the development dimension of the Doha talks in separate statements.

Five countries dissociate themselves from chair's text

Earlier on Thursday, five Latin American countries issued a statement criticising the process through which members reached agreement on the ‘elements for political guidance’ that were agreed two weeks ago.

In the document, Bolivia, Cuba, Ecuador, Nicaragua, and Venezuela argued that the chair's political guidance document “contains elements that intentionally undermine the fundamental principles of the Doha Ministerial Declaration,” thereby “sacrificing the priority of the principle of the single undertaking.”

The sponsors therefore state that they dissociate themselves from the consensus set out in the document.

Some trade officials questioned the significance of the five countries’ statement, pointing out that the political guidance document was intended just as the basis of an eventual chair's statement, which only the conference chair himself would be responsible for. They also argued that the General Council chair had given all countries an

opportunity to make changes to the document, although none had blocked consensus at that stage.

Another source familiar with the sponsoring countries' position told Bridges that the statement was not intended to block agreement, but rather to raise concerns about the substance of the chair's summary, and the process through which it had been reached.

Ministers repeat protectionism pledge

At the close of the day, trade ministers of 22 countries and the 27-member EU issued a 'pledge against protectionism', which they said should be included in the final ministerial chair's statement.

Together, the signatories account for more than two-thirds of global GDP, and each is a member of either the G-20 group of leading economies or the Asia-Pacific Economic Cooperation (APEC) forum, and in some cases both.

Their pledge faithfully reflects language repeatedly adopted by both groups, including a commitment to "refrain from raising new barriers to trade in goods and services, imposing new export restrictions, or implementing WTO-inconsistent measures in all areas, including those that stimulate exports."

Minister after minister denounced protectionism, with Canada calling it 'poisonous.' They also regretted the Doha Round impasse, and called for a new way forward.

When asked whether the so-called 'standstill' commitment would not be too restrictive for developing countries dependent on tariff revenue, Australia responded that resorting to protectionism under the guise of policy space would be "heading in the wrong direction."

With the first day of the conference having reached its conclusion, attention is now shifting to Russia's long-awaited accession to the global trade body, which will undoubtedly be the highlight of Friday's proceedings.

ICTSD reporting.

#3 After Eighteen Year "Marathon," Russia Crosses WTO Finish Line

This article was originally published on 17 December 2011.

Trade ministers formally welcomed Russia into the WTO on Friday afternoon, putting the finishing touches on a nearly two-decade long process fraught with disagreements and setbacks. Meanwhile, negotiators also spent the day debating the role of the global trade body in the multilateral trading system, and revisiting thorny trade topics such as cotton and fish subsidies.

Friday's ceremony marked the entry of the world's largest non-WTO economy into the institution, an event that was widely anticipated to be one of the main highlights of the three-day ministerial conference. Thursday's finalising of the Government Procurement Agreement negotiations and Friday's accession ceremony are primarily "what this ministerial will be remembered for," one source said.

The approval by consensus of Russia's accession protocol drew wide applause from trade officials.

"This is clearly a historic moment for the Russian Federation and for the rules-based multilateral trading system, after an 18-year marathon," WTO Director-General Pascal Lamy told the audience.

"What you have to know about marathons is that the last mile is the worst, and the toughest, and the best moment in the marathon is when you cross the finishing line," he continued.

While the conference's approval marks the end of a long and often uncertain process, Russian Minister of Economic Development Elvira Nabiullina emphasised that, for Russia, "the conclusion of the accession negotiations is not a finishing line, but a starting point."

The role of the Swiss government in mediating between Russia and Georgia was credited for making Friday's accession possible - a task that Swiss President Micheline Calmy-Rey admitted had "seemed like mission impossible."

The disagreements between the two countries had threatened to keep the accession process on hold, with Moscow and Tbilisi only agreeing to a Swiss-brokered compromise in early November.

The benefits of the accession to Russia are expected to be numerous, Nabiullina told reporters. These include improved quality of goods and a signal to investors of a better business climate, she added. Russian Deputy Prime Minister Igor Shuvalov reaffirmed this assessment, adding that the majority of Russian national industries will benefit.

Having access to the WTO's dispute settlement system was another benefit that Nabiullina highlighted, adding that Russia is currently losing US\$2 billion per year due to trade restrictions in chemicals and transportation, among others.

The Russian minister also told reporters that, during the accession process, Russia had changed 300 legal acts and brought them into conformity with international trade rules.

Echoing the general sentiment amongst speakers, US Trade Representative Ron Kirk told the audience that the accession is "a development that will truly make us a *world* trade organisation."

With the ministerial conference also set to approve Saturday three draft decisions on issues of great importance for least developed countries (LDCs), Bangladeshi Commerce Minister Muhammad Faruk Khan underlined the "useful lessons" that the Russian story could provide for streamlining the LDC accession process.

The difficulties of joining the global trade body were also underscored by Cuba, which added that 30 developing countries still remain on the accession waiting list.

Kazakh Minister of Economic Integration Zhanar Aitzhanova explained to the audience that the commitments being undertaken by Russia will be incorporated into the regulatory framework of all members of the Russia-Belarus-Kazakhstan customs union, which will in turn have an immediate impact on Astana's trade regime. The approval of the Russian bid will also "accelerate Kazakhstan's accession to the WTO," she added.

Russian officials also stressed that Moscow has no plans of being an obstacle to the ongoing Doha talks. According to Deputy Prime Minister Shuvalov, Russia is already monitoring the negotiations, and intends to play a positive role.

With China celebrating the tenth year since its accession to the global trade body, many observers have drawn parallels between the bids of the two emerging economies. However, Lamy, speaking at a separate civil society event on Friday, underscored that Russia's trade patterns are completely different from those of China, adding that there was no chance of the sort of turbulence seen when China acceded.

The accession package still needs to be ratified by the Russian Parliament before coming into force. Thirty days after ratification, Russia will officially be a full member. The ministerial conference is also set to welcome three other countries into the global trade body before the end of the weekend: Montenegro, Samoa, and Vanuatu.

Differing views on protectionism

On Friday morning, trade officials held an informal working session on the future of the multilateral trading system.

The session largely saw members restating well-known positions, one delegate noted.

"There's no discussion," the official continued, while another observed that few ministers were actually in attendance.

One delegate who witnessed the discussions commented that, although members reiterated their opposition to protectionism, several had different interpretations of what this meant in practice. While some members called for tariffs to be kept at low applied levels, others pointed to non-tariff barriers and subsidies in the developed world as a worrying gap between rhetoric and action.

Another said that the issue of non-tariff barriers appeared to be an emerging challenge, which current market access negotiations were ill-equipped to deal with.

Friday's discussions, along with two other working sessions set for Saturday, are expected to inform the ministerial chair's statement, which will be presented at the end of the conference.

Davies: "Let's wait for the right time"

In parallel, the future of the multilateral trading system was also discussed at the civil society trade and development symposium taking place down the road from the ministerial.

At the symposium, which is being hosted by ICTSD - the publisher of Bridges - various trade ministers concurred that the institution's rule-making role had served the membership well. The ministers, from Indonesia, Peru, South Africa, and Sweden, argued that the global trade body has provided a bulwark against protectionism, but - in the words of Switzerland's Marie-Gabrielle Ineichen-Fleisch - was currently "under strain as a negotiating body: we don't really know how to go forward."

South African trade minister Rob Davies said that his country did not subscribe to the view that, without further opening of trade, the whole system would fall apart. "If the world is not at this moment able to take up the particular task of negotiating the development mandate, then let's wait for the right time," he concluded.

Several high-level participants evoked the importance of taking up major new challenges, such as trade and climate change. Nearly all agreed that bilateral and/or regional trade agreements could promote rather than hamper multilateral agreements.

On the way forward, WTO Director-General Pascal Lamy noted that a multilateral trading system could not function without the US and China agreeing somewhere, and that neither country had a political majority in favour of a Doha deal.

This ministerial, he said, was all about exploring the small spaces left on the margins as a result of the blockage between the two trading powers. He expressed hope, however, that both would eventually realise that multilateral co-operation

offers "more benefits, for less cost, than a piecemeal approach."

Meanwhile, Indonesia's trade minister Gita Wirjawan noted that on the opening day of the ministerial every single statement had contained the word 'impasse.' Nonetheless, he remained upbeat about the long term trade prospects for countries at the WTO and regionally. Swedish Ambassador Joakim Reiter warned: "The WTO's negotiating pillar runs the risk of decreasing in relevance, especially in relation to bilateral and regional avenues, unless it delivers results. This risk is not the fault of the WTO, its design or external circumstances, but is the result of the actions or inactions of its Members. Hence, members need to provide the solution. This requires intensified efforts on the DDA through more pragmatic approaches and greater coherence between what members are ready to do outside WTO and inside WTO, allowing the finalisation of mature parts of the DDA like trade facilitation and LDC issues, as well as, for example, modernising the ITA and strengthening the work of WTO bodies to genuinely address trade concerns."

Friends of Fish

Trade ministers from the Friends of Fish group - Argentina, Australia, Chile, Colombia, Ecuador, New Zealand, Norway, Peru, and the US - released a statement on Friday, reaffirming their continued commitment to seek strong new rules aimed at eliminating subsidies that contribute to fleet overcapacity, which in turn leads to overfishing and the depletion of stocks. They underlined that the consequences would not be merely environmental, but also threatened livelihoods and food security, particularly in developing countries.

Some 85 percent of the world's oceans are fully exploited, over-exploited, depleted or recovering from depletion, up 10 percent from four years ago. Harmful subsidies are estimated at US\$16 billion annually, with Japan, China, the EU, the US, and Russia topping the list.

Cotton: C-4 urge subsidy reform

New proposals for development aid and market access need to be accompanied by reform of trade-distorting cotton subsidies if they are to contribute to the fight against poverty, trade ministers from West-African cotton-producing countries said on Friday.

Mahamat Allaou Taher, Minister of Trade and Industry for Chad, told a press conference that the C-4 cotton producing countries - Benin, Burkina Faso, Chad, and Mali - were still considering a new US proposal (see Bridges Weekly, [16 November 2011](#)) for development assistance and enhanced market access, after discussing it with US Trade Representative Ron Kirk.

However, the minister emphasised that development assistance represented only one part of a two-pronged approach to the problem. "We are also committed to the trade track," he said.

Subsidy reform - and not just market access - was needed, Allaou Taher argued. He pointed out that only around two percent of his country's cotton was actually exported to the US, which is a net cotton exporter.

Two days prior, the C-4 had also been offered development assistance by China, the minister explained.

The US has argued that Beijing's support to the cotton sector should also be reduced under any eventual Doha deal.

However, Allaou Taher argued that US support remained the main target of the group's initiative. "The United States is not alone, but their subsidies are the greatest," the minister said.

Food security and trade sparks heated debate

UN human rights expert Olivier De Schutter [argued](#) on Friday that the WTO is "defending an outdated version of food security," in a press release responding to [comments](#) that Lamy had made publicly available before the ministerial conference.

In a letter to De Schutter, the UN Special Rapporteur on the Right to Food, Lamy stated that he "fundamentally" disagreed "with the assertion that countries need to limit reliance on international trade to achieve food security objectives."

His comments sought to critique a [report](#) that De Schutter had published one month ago, in which the rapporteur reiterated earlier conclusions encouraging states "to avoid excessive reliance on international trade in the pursuit of food security."

"Trade is very much part of the food security equation," said Clem Boonekamp, director of the WTO's agriculture division at a press briefing on Friday. "It's something my Director-General keeps saying, and he's perfectly right to say it."

ICTSD reporting.

#4 WTO Ministerial Conference: Chair Gavels Decisions, Maps Out Future

This article was originally published on 18 December 2011.

The WTO's eighth ministerial conference came to a close on Saturday evening, after three days of high-level meetings that saw the accession of Russia, Samoa, and Montenegro, along with the clinching of a 42-country deal that would liberalise billions of dollars in public contracts.

At the close of the three-day talks, ministerial conference chair Olusegun Olutoyin Aganga of Nigeria described the high-level discussion and mapped out how members saw the future.

'New' issues or Doha?

There was a "shared sense" among ministers, Aganga noted, that the "key question" to unlocking the impasse in the ten-year old Doha talks regards the balance between emerging and advanced economies over their respective contributions and responsibilities.

Long-standing disagreements between developed economies - such as the US and EU - and major emerging economies - such as Brazil, China, and India - on non-agricultural and agricultural market access have widely been faulted for putting the negotiations on hold.

The WTO is “like a train without a locomotive,” one trade official commented to Bridges. “The locomotive is China and the US - but it’s not pulling the train.”

In light of the Doha Round’s current difficulties, much of the trade dialogue has turned toward ensuring the WTO’s continued relevance in the multilateral trading system.

The option of introducing new issues into the global trade body to address emerging challenges - such as climate change, food security, trade and exchange rates, and energy - has been suggested by some members as one such way of keeping the global trade body current and credible. This view was reiterated by some ministers this past week.

However, Aganga told the closing session, other ministers “expressed reservations” about beginning negotiations on new topics, due to concern either about “the possibility of addressing issues selectively or shifting the focus away from unresolved issues in the DDA negotiations.”

Many ministers would rather that any new issues be instead brought to WTO committees, “in accordance with their normal rules and procedures and within their respective mandates,” the conference chair added.

WTO Director-General Pascal Lamy, speaking to reporters on Saturday evening, downplayed these concerns, adding that talking about an issue and negotiating about an issue are not the same thing. Talking about new issues, he added, does not mean that new issues are set to replace the old ones.

In the WTO, he stressed, “you do not negotiate an issue unless you have a consensually agreed mandate of negotiation.”

Doha: low-hanging fruit?

The same tensions between WTO members found expression in the part of the chair’s statement on the Doha Round. Aganga noted that many members expressed “deep regret” at the impasse in the negotiations - but at the same time reaffirmed their commitment to delivering on the mandate for the decade-long talks.

Trade ministers had emphasised their openness to different negotiating approaches, Aganga’s statement said - something which the US in particular has urged. However, some had also “expressed strong reservations” about plurilateral approaches, the chair observed.

Many negotiators are fearful that the multilateral trading system could be seriously weakened if some countries give up on trying to reach accords that include everyone, and instead embark on a series of deals amongst subsets of the membership.

Echoing one of the central themes of the conference, Aganga said that many ministers had stressed the need to identify areas where agreements could be reached in the short term. Others had called for a step-by-step approach, respecting the Doha negotiating mandate and the ‘single undertaking’ - under which all issues are treated as parts of one larger deal.

“Everything is part of this big bargain, so we need to ask how can we take the low-hanging fruit without abandoning the other issues,” one delegate told Bridges.

“People are saying, ‘let’s reap the benefit of whatever’s there,’” the source added.

According to the chair’s statement, ministers had stressed the centrality of development and underlined the need to prioritise issues of interest to least developed countries (LDCs), including cotton, a question that has dogged trade talks for over eight years and which was raised again by West African ministers during this year’s gathering.

Lamy told reporters on Saturday evening that African cotton exporters had received new

commitments on market access and development assistance during the three-day meeting. "These were not previously part of the landscape," he said.

On a related note, the chair's statement noted that many ministers had urged their counterparts to commit to a 'standstill' on all forms of protectionism - a move that the Cairns Group of net agricultural exporters had championed in particular. Others had instead emphasised their right to use WTO-consistent policy space to achieve economic and development objectives - something that a number of developing countries had stressed.

Aganga observed that, during the conference, many ministers had also urged their counterparts to agree not to impose export restrictions on food aid purchased by the World Food Programme - echoing the language of an accord amongst heads of state from the G-20 group of major economies at their Cannes summit in November.

Also on food security, the chair's statement reflected support amongst some ministers for a work programme on trade and food price volatility, and its impact on LDCs and net food-importing developing countries (see Bridges Weekly, [7 December 2011](#)).

Decisions in favour of LDCs

On 17 December, ministers agreed to a waiver that makes it possible for members wishing to grant least developed countries greater access to their services markets, even if it means deviating from the most-favoured-nation principle.

For a decade, LDCs have maintained that WTO members should be allowed to treat services and service suppliers from the poorest countries more favourably than those of other nations. To achieve that aim, they needed to convince the membership to waive one of the core principles of the multilateral trading system: the obligation to treat all members equally.

While countries may discriminate between least developed countries and the rest of the membership, all preferences must be extended to the entire LDC group. The waiver also provides

the possibility for preferences to be conferred beyond just market access measures, although such preferences would need to be approved ex-ante by the Council for Trade in Services.

Touching on the potential value for LDCs, International Lawyers and Economists Against Poverty (ILEAP) Executive Director David Primack suggested that the waiver itself was merely a mechanism that had little substantive value in its own right.

Its potential value, he argued, will depend on how well LDCs can assess how and where the preferential treatment could confer enough of a commercial advantage for their service providers to expand into new markets, as well as the political will of preference-granting countries to offer meaningful concessions in areas of interest to the recipients.

Should these conditions converge, he added, the potential for the waiver to catalyse essential investments in LDC services sectors could be significant.

Countries that grant preferential access to LDC service suppliers must make a detailed notification to the Council for Trade in Services, which will review annually whether the exceptional circumstances justifying the waiver still exist.

LDC accessions

Least developed countries acceding to the WTO have long complained that trading partners routinely ask them to take on commitments beyond their capacity, as well as beyond those that were required from LDCs that joined the WTO earlier.

These countries have often criticised the opaque negotiation process, alleging that bilateral meetings are held behind closed doors without multilateral oversight.

The ministerial decision on LDC accession commits WTO members to develop market opening benchmarks by July 2012. With regard to goods, the benchmarks are likely to be based on the average post-accession tariff level of existing LDC members.

For services liberalisation, benchmarks will be considerably harder to determine. However, factors such as the existing level of openness in the candidate country, the number of services sectors covered, and the regulatory effort required are under consideration.

In addition, bilateral negotiations will be complemented by multilateral oversight in order to improve the transparency of the accession process.

TRIPS transition period

The third LDC-related decision concerns the application of WTO rules on intellectual property rights. Least developed countries' exemption from implementing the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) expires in July 2013; however, they will be able to submit 'duly motivated' further extension requests, which the TRIPS Council has been instructed to 'consider fully'.

Other decisions

Ministers also adopted decisions on electronic commerce, TRIPS non-violation complaints, a work programme on small and vulnerable economies, and the fourth appraisal of the trade policy review mechanism.

All of these documents can be found [here](#).

Samoa, Montenegro welcomed into the fold

The WTO also welcomed Samoa and Montenegro into their ranks on Saturday, just a day after the ministerial conference had approved the accession protocol of Russia.

Montenegro, which started its accession process seven years ago, will gain visibility in global affairs and trade as a result of joining the WTO, the country's prime minister, Igor Lukšić, said.

Meanwhile, Samoa is the fifth least developed country to join the global trade body since 1995 - in its case after a 13-year wait. During the accession ceremony, Lamy underscored the difficulties LDCs face in accession, noting that technical assistance and capacity building are

essential to "empower countries like Samoa to be in a position to negotiate trade rules."

"We have learnt that the rules governing accessions of least developed countries can and must be further simplified to help you join the WTO family," he added, commenting that the Pacific island's accession will provide the WTO membership with an "active partner to lead on all these areas."

Members question process

Five Latin American countries - Bolivia, Cuba, Ecuador, Nicaragua, and Venezuela - had, on Thursday, submitted a document to the conference citing "exclusionary and undemocratic practices" in the consultation process leading up to the high-level gathering.

They argued that the political guidance document that had been agreed before the ministerial "represents only the opinion of some members," and were therefore dissociating themselves from the consensus.

However, the ministerial conference chair told reporters that the issues with those five members had been resolved, explaining that the countries "made absolutely clear that they were not breaking consensus."

Ecuadorian trade minister Francisco Rivadeneira, in his statement to the plenary, asked that, in any future processes of decision-making or negotiation, "any member that wishes to participate directly in all of the stages of the decision-making process should be able to do so."

"We believe this has not always been the case in the past," he added, referring particularly to this year's ministerial preparation process.

Ministerial closes

This year's conference marked the last regular ministerial held under Lamy's leadership. The next regular ministerial conference is set to be held in 2013; the precise date and venue has yet to be announced.

ICTSD reporting.

IN BRIEF

Seoul, Beijing Pledge to Launch Free Trade Talks

South Korean President Lee Myung-Bak ended a three-day visit to Beijing on Wednesday 11 January, in which he agreed with Chinese counterpart Hu Jintao to begin talks on developing a free trade agreement between the two Asian nations, according to state media.

In the past, South Korea has been reluctant to form trade ties with China, mostly due to the fact that Chinese manufacturers hold specific cost advantages that could prove detrimental to their South Korean equivalents. However, the results from this week's gathering in Beijing could mark the start of a new beginning.

South Korea's deputy national security adviser Kim Tae-hyo affirmed in an official statement about Lee's visit that "the Chinese said that they hope to start the negotiations on a FTA as soon as possible and we responded that we will soon start domestic preparations."

If successful, the proposed trade pact would make South Korea the only country with free trade deals with the world's three largest markets: the EU, the US, and China.

South Korea's pact with the EU entered into force on 1 July of last year, leading to double-digit growth in trade between the two countries within just two weeks of its implementation (see Bridges Weekly, [28 July 2011](#)).

Meanwhile, Seoul's agreement with Washington was ratified in both countries just this past autumn, after years of political limbo. US trade officials held working-level meetings earlier this week with their Korean counterparts to continue discussions related to the implementation of the US-Korea FTA.

Standing as one of the world's largest markets, China is already South Korea's principal trading partner. During the first 11 months of 2011, two-way trade between the neighbouring countries hit US\$224.8 billion, according to Chinese customs data. China also claims the majority of the country's export market.

Reports from Chinese state-run media have indicated that trade between the two nations is expected to reach US\$300 billion by 2015.

Fishing, agriculture to take priority in trade discussions

Among the trade topics discussed by the two officials during Lee's visit to Beijing were the particularly sensitive areas of agricultural products and illegal fishing by Chinese fishermen in South Korean waters.

According to media in both countries, a Chinese fisherman allegedly murdered a South Korean coast-guard officer last month after the officer attempted to stop the man from fishing in South Korean maritime areas.

Hu stated that his administration takes this issue "very seriously" and pledged to tighten controls within the fishing industry. Both sides agreed to reinforce co-operation on this subject as well as attempting to reach consensus here before turning their focus to industry and manufacturing.

Observers note that the prospect of an FTA could mitigate some of the distrust between Seoul and Beijing over the latter's close ties to North Korea. Concerns over the recent leadership transition in the nuclear-armed North Korea also featured in this week's bilateral discussions, with tensions running high on both sides of the 38th parallel.

Along with being South Korea's main trading partner, China is also Pyongyang's sole major ally and largest economic partner, accounting for 90 percent of North Korea's energy imports and 45 percent of its food imports.

However, official data shows trade between Beijing and Pyongyang in the first 11 months of 2011 reaching US\$5.2 billion, which China-South

Korea's US\$224.8 billion in bilateral trade greatly overshadows.

ICTSD reporting: "China, S. Korea Vow to Start Trade Talks," AFP, 11 January 2012; "China-South Korea Summit to Focus on Free-Trade Accord," North's Success," BLOOMBERG, 5 January 2012; "South Korea Says Lee Agreed With China's Hu on Peace, Free Trade" BLOOMBERG BUSINESSWEEK, 10 January 2012; "Korea, China to Start FTA Negotiations in the Next Few Months," THE CHOSUN ILBO, 10 January 2012; "China Media Flags Trade Talks Launch with South Korea's Lee," REUTERS CANADA, 8 January 2012; "Seoul, Beijing Move Cautiously to Deepen Ties," THE WALL STREET JOURNAL, 11 January 2012.

US Ethanol Tariffs, Subsidies End; Brazil Likely to Continue Ethanol Imports

The beginning of the new year saw the end of tax credits and tariffs that have long protected corn-based ethanol production in the US, after Congress' failure to renew these measures. The end of the legislation signals a shift in nearly three decades of policy.

Political support for ethanol in the US declined precipitously in 2011. Though the 54 cent per gallon tariffs on imports and 45 cent per gallon tax credits for blending ethanol with petroleum were renewed at the end of 2010, similar action at the end of 2011 was viewed by many as politically unpalatable. The US Senate signalled as much in a resolution from last summer, calling for an end to the blending credit and tariff (see Bridges Weekly, [13 July 2011](#)).

Commentators have attributed the change in attitude both to high oil prices, making ethanol relatively competitive, and a heated debate on farm subsidies in the context of the US fiscal deficit and budget cuts.

Although many experts have questioned the sustainability of corn-based ethanol, government support over the years has arguably left it the only

economically viable alternative to petroleum as a plant based fuel source.

A more efficient conversion of biomass to fuel, using organic waste products such as wood chips or remnants of farm output, or advanced cellulosic ethanol, has not yet reached economic maturity. "A fly speck on the wall" is how Bruce Babcock, an agricultural economist at Iowa State University, described the effort in a conversation with Bridges. To promote the newer technology, the US government is fining companies [supplying](#) motor fuel US\$6.8 million for failing to reach targets in 2011.

Experts: Blending mandate likely to prop up industry

Even without government subsidies, some experts note, the US mandate to blend greater amounts of ethanol into the national fuel supply will continue to drive revenue for the ethanol industry.

The Renewable Fuel Standard mandates that an increasing proportion of the US fuel supply come from ethanol or other renewable sources. The US [expects](#) 15.2 billion gallons of renewable fuels, largely ethanol, to make up nine percent of the national fuel supply in 2012. The Energy Independence and Security Act of 2007 requires that that total be boosted to 36 billion gallons by 2022.

An elimination of the tax credit and tariff may ease some pressure on corn prices, but the blending mandate will continue to push demand for corn and corn-based ethanol, according to Babcock. Notably, similar blending policies are also in place in Brazil and the EU, ensuring robust and growing demand for ethanol.

Leading exporter, Brazil, likely to continue imports

Meanwhile, Brazil is likely to continue buying ethanol from the US in the short term, according to UNICA, a São Paulo-based industry association. However, with a relief from US tariffs, the group expects to be exporting ethanol in the "medium- to long-term."

The South American country is the largest producer of ethanol in the world, but began importing the fuel from the US last year when growth in its domestic supply failed to keep up with demand from a booming fleet of cars running on ethanol.

Sugar cane-based Brazilian ethanol uses less land, fossil fuels, and has traditionally been cheaper than its corn-based equivalent in the US. The credit crisis in 2008 and a period of consolidation in the industry lead investors to favour new acquisitions over improvements in old sugar cane fields or planting new ones, said UNICA. Sugar cane fields require replanting and substantial inputs every seven years to remain productive. The recent lack of investment led yields to slip, turning a leading exporter into an importer.

ICTSD reporting; "Brazilian brew: America opens up to Brazilian ethanol," THE ECONOMIST, 7 January 2012; "Ethanol Subsidies: Not Gone, Just Hidden a Little Better." 5 January 2012. MOTHER JONES; "A Fine for Not Using a Biofuel That Doesn't Exist," NEW YORK TIMES, 9 January 2012.

EVENTS & RESOURCES

Vacancy

France Expertise Internationale (FEI) is seeking candidates to fill the following job posts: (1) technical assistant for the Département du Développement Rural des Ressources Naturelles et de l'Environnement (Department of Rural Development of Natural Resources and the Environment, in English) of the UEMOA Commission and (2) a technical adviser for agriculture and food security for the ECOWAS Commission. Interested candidates should email jeanne.terras@diplomatie.gouv.fr for more information.

Events

Coming soon

12 January, London, UK. THE ECONOMICS OF LOW CARBON CITIES LAUNCH. Hosted by the Centre for Low Carbon Futures, in conjunction with the All Party Parliamentary Climate Change Group and the University of Leeds, this event will present research on the economic returns that emerge from investments in low carbon cities. The presentation will also focus on the most cost efficient and effective ways to decarbonise a city and will provide information towards understanding the business case behind making investments in developing low carbon cities. For a list of speakers, the Economics of Low Carbon Cities report, or more information, please visit the event's [website](#).

16 January, London, UK. THE ANNUAL FOSSIL FUELS FORECASTING MEETING 2012. This half-day seminar, which forms part of the Fossil Fuels Expert Roundtable Project, will be held at the Chatham House in London and will focus on the presentation of this year's fossil fuels forecasts. This meeting seeks to provide a better understanding of the strengths and weaknesses of current fossil fuel supply. Presentations at the event will focus on the oil outlook, changes in vehicle efficiency emissions standards, and the impacts of the return of coal for gas and renewable energy. For more information about the meeting or the Fossil Fuels Expert Roundtable Project, visit the event's [website](#). Please note that this event is invitation only.

16-19 January, Abu Dhabi, United Arab Emirates. WORLD FUTURE ENERGY SUMMIT 2012. Hosted by Masdar, the fifth edition of this annual event will be held at the Abu Dhabi National Exhibitions Centre (ADNEC). The World Future Energy Summit focuses on the advancement of future energy, energy efficiency, and clean technologies by engaging political, business, academic, and industrial leaders from around the world. The WFES hopes that this engagement with leaders will prompt the development of new innovation and business opportunities in response to the growing need for sustainable energy. The Summit will include an international exhibition,

the Project Village, roundtable discussions, Innovate @WFES, the Young Future Energy Leaders Program, and corporate meetings and social events. For more information on the World Future Energy Summit 2012, please visit the event's [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.

20 January: Sub-Committee on Least Developed Countries

20 January: Dispute Settlement Body

25 + 27 January: Trade Policy Review Body – Kingdom of Saudi Arabia

Other Upcoming Events

20 January, Geneva, Switzerland. UNCTAD/ILO POLICY DEBATE – TRADE AND EMPLOYMENT: FROM MYTHS TO FACTS. Around the world, promises of new and better jobs run parallel with concerns of job losses, working conditions, and faltering wages. This event aims to provide assessments of international trade and its impact on employment, in an attempt to address the disconnect between the prominence of trade and employment linkages and the lack of factual analysis on the subject. The International Labour Organization (ILO) and the United Nations Conference on Trade and Development (UNCTAD) will host a policy debate on this subject that will focus on the lessons that can be drawn from this evidence-based linkage between trade and employment, following the presentation of the ILO book “Trade and Employment: From Myths to Facts.” A panel of high-level trade representatives from Geneva and other international organisations will

be present. For more information on this policy debate, please visit the event's [website](#).

24 January, New York, US. GLOBAL CIVIL SOCIETY WORKSHOP ON THE RIO+20 “ZERO DRAFT” AND RIGHTS FOR SUSTAINABILITY. Hosted by IBON International, this event aims to discuss the Rio +20 “Zero Draft”, which includes the United Nations Conference on Sustainable Development (UNCSD) Secretariat’s compilation of all inputs from member states and other stakeholders. The “Zero Draft” is a subsection of Rio+20’s Outcome Document. The workshop aims to bring together civil society representatives to engage in the Rio+20 process, to analyse the role of human rights, equity, and justice reflected in the draft as well as the positions of key countries in the UNCSD process. It will also provide the opportunity for participants to strategise how to influence the member states in the direction of a rights-based approach to sustainability and to promote rights for sustainability among the major stakeholders and groups. For more information about this workshop, please visit IBON International’s [website](#) for the event.

25-29 January, Davos-Klosters, Switzerland. WORLD ECONOMIC FORUM ANNUAL MEETING 2012. This annual forum will convene under the theme “The Great Transformation: Shaping New Models,” and will address the rebalancing and deleveraging that is reshaping the present global economy. In the short term, this transformation is seen in the context of how developed countries will deleverage their finances without falling into a recession and how emerging countries will tackle inflation and future economic obstacles. In the long term, organisers note, both will play out as the world population passes 7 billion but is also interconnected through information technology on an historical scale, leading to transformational changes in social values, resource needs, and technological innovations. With this context in mind, this event aims to bring together leaders for the purpose of defining what the future should look like, aligning stakeholders around that vision, and inspiring their institutions to realise that vision. For more information on this annual global forum, please visit the WEF [website](#).

2- 3 February, London, UK. SEVENTH INTERNATIONAL FORUM ON ILLEGAL, UNREPORTED AND UNREGULATED FISHING. Held at the Chatham House in London, this annual international forum will bring together over 100 policymakers, researchers, civil society groups, and industry delegates from across the world to discuss the latest initiatives and research in the subject of fisheries governance and trade in illegal fish products. This year the forum will focus on the latest developments in Europe and in West Africa and will also address various document schemes, port state measures, and organised crime in the fishing sector. For more information and contact information regarding this forum, please visit the event's [website](#).

11 February, New Haven, US. THE YALE JOURNAL OF INTERNATIONAL LAW INTERNATIONAL CENTER FOR THE SETTLEMENT OF INVESTMENT DISPUTES CONFERENCE. The World Bank's International Centre for the Settlement of Investment Disputes (ICSID) diplomatic protection investment plan has come under criticism in recent years; the plan trades off diplomatic protection on behalf of investors in exchange for commitments by host states to arbitrate investment disputes at the investor's initiative. The most significant critique stems from the controversy over the ICSID's distinctive review and annulment procedure. Co-sponsored by the Yale Journal of International Law and the American Society of International Law., this conference will bring together leading academics and professionals to determine if recent cases suggest any adjustments to the review procedure. The conference will be held at Yale Law School. For more information on ICSID or this conference, please visit the event's [website](#).

2 March, Sydney, Australia. INTERNATIONAL ECONOMIC LAW RESEARCH SYMPOSIUM. Hosted by the International Economic Law Interest Group of the Australian and New Zealand Society of International Law, in conjunction with the Sydney Centre for International Law at Sydney Law School, this symposium seeks to promote the discussion of current research and work relating to international law economic law. Keynote speaker Alan Sykes will present on the 'Economic Structure of

Renegotiation and Dispute Settlement in the WTO'. For the draft programme, registration instructions, and general information about this symposium, please visit the [website](#) for the event.

21-26 April, Doha, Qatar. THIRTEENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD XIII) AND CIVIL SOCIETY FORUM. This Conference, which begins on 21 April, will convene under the theme "Development-centred globalization: Towards inclusive and sustainable growth and development." The Conference's aim is to enhance the understanding of specific trade and development issues, especially after the fallout of the economic crisis. In parallel with the Conference, UNCTAD has also partnered with the United Nations Non-Government Liaison Service and the Qatari National Human Rights Committee to organise a Civil Society Forum, where representatives from the private sector and civil society will explore different ways to strengthen partnerships with UNCTAD to boost the effectiveness of trade and development efforts. The Civil Society Forum will begin its work on 17 April. As an important reminder to those civil organisations that do not have observer status with UNCTAD and wish to participate in the Conference and the Civil Society Forum, the deadline for applications for the accreditation to the UNCTAD XIII is 31 January. For more information on the UNCTAD XIII Conference and the Civil Society Forum, please visit the UNCTAD XIII [website](#).

Resources

CASE STUDIES OF GREENHOUSE GAS EMISSIONS OFFSET PROJECTS IMPLEMENTED IN THE UNITED NATIONS CLEAN DEVELOPMENT MECHANISM. By the Electric Power Research Institute (EPRI) (December 2011). This paper describes case studies of different greenhouse gas (GHG) emissions offset project activities undertaken within the United Nations Clean Development Mechanism (CDM) programme, including – among others – afforestation and

reforestation, and renewable energy. The authors' focus is on the CDM because it is the largest offset program in the world, serving as a benchmark for the evaluation of other offset programmes with regards to performance and design. This paper is also designed to provide important insights to entities interested in developing offset projects and firms that are willing to invest in these offset projects. It also aims to communicate lessons learned from the various types of GHG emissions offset projects in the CDM to US-based policymakers. The full report can be viewed [here](#).

IGES MARKET MECHANISMS FACT SHEETS. By the Institute for Global Environmental Strategies (IGES) (December 2011). The IGES has released this series of country information sheets for Cambodia, China, India, Indonesia, Lao PDR, Mongolia, the Philippines, and Thailand that seek to provide updated information on the status of climate policy and market mechanisms. These include the Clean Development Mechanism (CDM), greenhouse gas (GHG) inventory, and the Nationally Appropriate Mitigation Actions (NAMAs). Topics covered in the factsheets include the structure and approval procedure of the DNA (designated national authority), national climate change policy, institutional frameworks, and more. The reports aim to provide updated information about these subjects for better understanding by academics, policymakers, and anyone else with an interest in the subject. The factsheets can be viewed [here](#).

KYOTO AND THE COPS: LESSONS LEARNED AND LOOKING AHEAD. By Rafael Leal-Arcas for the Hague Yearbook of International Law (December 2011). In this article, the author argues that the near-disaster of the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties – (COP) 15 in Copenhagen in 2009 empirically demonstrated that the UN machinery is incapable of moving forward fast enough to produce a global climate deal. He further argues that international climate policy of today, practiced by many governments of the world under the Kyoto Protocol approach, has failed to produce any significant world reductions in emissions of greenhouse gases since the mid-

1990s. To support this argument, the author claims that the Kyoto Protocol systematically misunderstood the nature of climate change as a policy issue between 1985 and 2009. The paper also discusses the position of three major players in the climate change discussions – the US, China, and the EU – by extensively analysing each party's climate finance policies and actions. To read more about this article, or to read it in its entirety, click [here](#).

SERVICES TRADE: APPROACHES FOR THE 21ST CENTURY. Released by the Pacific Economic Cooperation Council (PECC) and the Asian Development Bank Institute (ADBI) (2011). This series of publications aims to provide a more in-depth understanding of the services sector within the realm of international trade, as it accounts for 68 percent of value-added and 61 percent of employment in the Asia-Pacific region. Many claim that international trade in services lags behind; the authors here thus attempt to explain this lack of progress. Some points raised in this area include the lack of awareness of the contribution of services to the economy because of public ignorance of the services sector; the failure of services trade policy reform; concerns over the impact of service openness; and inadequacies in negotiation modalities. A series of publications on the subject were presented at the PECC-ADBI –Services Trade: Approaches for the 21st Century Conference. They can be viewed [here](#).

THE CASE FOR CARBON-PRICING. By Alex Bowen for the Grantham Research Institute on Climate Change and the Environment and the Centre for Climate Change Economics and Policy (December 2011). In this policy brief, the author focuses on whether carbon pricing, either through emissions trading or taxes that discourage high-carbon behaviour, should be a fundamental pillar of policies designed to mitigate climate change. The paper highlights many key points, such as (i) a uniform global carbon price as an ideal tool to reduce greenhouse-gas emissions, (ii) using the carbon price as a persuasive encouragement for businesses to adjust their investments and innovation away from greenhouse-gas technologies, (iii) a recommendation by the Grantham Research Institute of £30 per tonne of carbon-dioxide-equivalent, or at least an increase

to the current carbon price in the EU Emissions Trading System (EU ETS), (iv) emphasising that policy should be revised over time as policy-makers move towards a uniform carbon price. Overall, this policy brief outlines the arguments for implementing a broadly uniform carbon price across sectors and considers how governments can begin to reduce perceptions of unfairness through improved policy-making and communication. To view this publication, please click [here](#).