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CURRENCY

Brazil Continues Push for Further WTO Discussions on Currency, Trade Relationship

A new proposal by Brazil regarding the possible use of trade remedies to counter currency fluctuations prompted a cool response from some WTO members on Monday, sources told Bridges. However, officials noted, many members were open to the idea of continuing analytical work on the subject in order to better understand the relationship between exchange rates and trade – despite questions from some over whether the WTO is the right forum for this topic.

Brazil's 5 November conceptual note (WT/WGTDF/W/68) was submitted to the WTO's Working Group on Trade, Debt and Finance, which addressed the paper during its meeting on Monday. The proposal outlines the history of exchange rates in the General Agreement on Tariffs and Trade (GATT) and the WTO, then analysing possible tools in the current multilateral trading system that could be seen as applicable to exchange rates and trade.

"The WTO seems to be systemically ill-equipped to cope with the challenges posed by the macro and microeconomic effects of exchange rates on trade," the Brazilian paper found after conducting the above-mentioned review. "Members may wish, against this background, to consider the need for exchange rate-trade remedies and to start some analytical work to that effect," it continued, outlining a "non-exhaustive" list of elements that would have to be considered in such work.

This latest concept note was intended to help "frame the discussions in the WTO," a Brazilian official commented to Bridges. "It was not in any way meant to provide a pre-cooked recipe for members."

"It's still too early to discuss any possible solutions. First, we need to understand the many facets of the issue," the official said, noting that there is no set timetable for finishing such discussions.

Real's appreciation in the background

The move comes as Brazil continues to deal with the effects of its currency's – the real – continued appreciation, particularly the subsequent import surge that many fear has put its manufacturing sector at risk.



International Centre for Trade
and Sustainable Development

In this regard, Brazil has been an avid proponent of addressing the impact of exchange rates on trade in the WTO context, arguing that such a debate is not taking place anywhere else and has become essential in the current economic climate. (See Bridges Weekly, [28 September 2011](#))

Earlier this year, the working group had hosted a highly-anticipated seminar on the relationship between exchange rates and trade, which was designed as an academic exercise to better understand the issues and their implications, and was convened in response to Brazil's request. (See Bridges Weekly, [4 April 2012](#))

Members react to latest proposal

Brazil's paper drew a mixed response from members, trade officials commented to Bridges. Sources say that none of the members present spoke openly in support of developing trade measures to respond to currency volatility or misalignment. However several, such as the EU, said they were still ready to continue the debate on the relationship between trade and exchange rates, and suggested that further analytical work be undertaken on the subject.

Others, meanwhile, took a harsher tone. "The WTO is not the right forum to discuss the exchange rate issue," Zhu Hong, Minister and Deputy Permanent Representative of China to the WTO said at the meeting, according to a statement provided to Bridges. "Using trade measures, be it the increase of tariff rates or the imposition of trade remedies, would not do any good to resolve the exchange rate issue, rather it would pose serious challenges to basic WTO rules."

However, China did note that Brazil "is not the only victim of currency volatility," arguing that such volatility is the result of the controversial practice of quantitative easing and has a "lingering, negative impact" on developing economies, particularly emerging markets.

The decisions earlier this autumn by the US, EU, and Japan to each undertake new rounds of quantitative easing in order to tackle lagging employment numbers fuelled substantial concern and criticism among several of their trading partners, including Brazil, who argued that the capital flows generated by these monetary policies could debilitate other economies. (See Bridges Weekly, [26 September 2012](#))

"From its inception on January 1, 2009 to the present day, the quantitative easing monetary policy has been reinforced three times. We, together with many other countries, have been critics of this irresponsible and beggar-thy neighbour policy," China said, while adding that the International Monetary Fund should continue to be the primary forum for addressing monetary policy.

Switzerland and Chile were among the other members to raise concerns about the Brazilian paper at Monday's gathering. "Switzerland considers that such a debate should not serve as a pretext to justify an extension of existing GATT rules," the Swiss delegate said, according to a statement obtained by Bridges. Trade remedies are already being used extensively, Switzerland added, noting that approving more remedies could instead exacerbate the problem by restricting trade and "frustrate important and necessary adjustments of an economy."

Furthermore, the Swiss representative said, the March seminar showed that trade measures are not the appropriate answer to exchange rate disequilibria, adding that monetary problems should be addressed with monetary solutions. Switzerland ultimately said that it could not support Brazil's proposal to examine possible trade remedies in this area.

Chile, meanwhile, also noted that it “does not find it necessary to create new ‘trade remedies,’ designed to address exchange rate fluctuations and their possible effect on trade.”

“In effect, from our analysis of the document, our primary concern is that this could involve a new form of trade protectionism,” Chile said. In that regard, the Chilean statement noted that Brazil, in the context of its G-20 and UNASUR memberships, has committed itself to avoid implementing protectionist policies.

“Should currency discussions continue?” members ask

Members at the meeting also differed on whether such discussions – even on an academic level – should continue within the WTO context. While some – notably China – argued that the topic could distract from efforts to put together a small package of Doha measures to be agreed at next year’s WTO ministerial conference in Bali, others said that the current instability of the global economic climate mean that such a debate will likely – and indeed should – continue in the future, while being limited purely to an analytical level.

“We are all aware of the gloomy global economy. We all want to walk out of that shadow,” China’s Zhu said. “To achieve that, we have a great deal of things to do from this very moment to the Bali Ministerial Meeting later next year, particularly to complete the Doha Development Agenda that has been dragging on for the past 11 years.”

“We still feel like that time is our enemy even if we must work 24 hours a day, 7 days a week. Then why should we distract our minds and energy on the currency issue, which should not be debated here in the WTO?”

Switzerland, meanwhile, noted that – while the debate has been useful to better understand the topic – it saw no need for further WTO action on the subject.

Others, however, added that the discussions on exchange rates and trade should indeed continue at an academic level, given today’s economic realities.

“Without any prejudice to our differences, it is true that we live in an economic environment that is in permanent flux, where the development of new challenges has now become the norm,” Chile said, adding that its delegation is open to continuing these and other discussions within the context of the WTO.

Next steps

Sources say that the working group’s chairman – Faizel Ismail of South Africa– will circulate questions in writing to the working group, and among the topics examined would be whether to invite the IMF to address the group’s next meeting. The formal date for the next meeting has not yet been set, but will occur sometime next year.

More information

The Brazilian conceptual note (WT/WGTDF/W/68) is available online at <http://docsonline.wto.org>.

ICTSD reporting.

CLIMATE CHANGE

Negotiators at Doha Climate Talks Look to Tie Up Loose Ends

There has been a noticeably different tone in the air as negotiators began arriving in Doha, Qatar this week for the UN Framework Convention on Climate Change's eighteenth Conference of the Parties (COP 18). The media speculation, the looming big questions, and, interestingly, the pessimism that has coloured the previous three annual climate change meetings even before they began are muted. Indeed, the uncertainty and possibility for a breakthrough that surrounded the Copenhagen, Cancun, and Durban talks created a whirlwind of pressure, speculation, and possibility that drew the world's attention.

Doha is clearly a different animal. Instead of mounting pressure on parties as to whether they will be able to strike a deal, COP 18 will focus on operationalising the Durban Platform (ADP). The hard-fought COP 17 negotiations in Durban, South Africa ultimately culminated in a deal to set the groundwork for a new global climate pact, but difficult questions, new alliances, and altered political realities have emerged over the past year.

In addition to the ADP question, observers will be watching closely to see if parties are able to forge a second commitment period of the Kyoto Protocol and whether negotiations under the Ad Hoc Working Group on Long-term Cooperative Action (LCA) can come to a conclusion, as agreed last year.

In order to gauge the direction of the talks in Doha, observers will be scrutinising some of the key parties that could sway outcomes in one way or another. With recent developments affecting the planet's two top greenhouse gas emitters – the United States and China – at the highest level, every move will be examined for changes in how they engage with the process and develop policy.

Obama phase II

While present in body, but largely absent in spirit at recent UNFCCC meetings, the United States will be attending fresh from an election victory by President Barack Obama. Obama took the helm in Washington in January 2009 with a strong position on climate change that had many environmental groups expecting that the US would become a new beacon of hope in the talks. This did not come to be.

But with increased frequency and severity of weather disasters still on the minds of many Americans in the wake of Hurricane Sandy and several reports confirming that a growing proportion of the US population believes that human-caused climate change is a reality, the Obama administration may find itself in a position to press harder in the talks. In his first press conference following the defeat of Republican challenger Mitt Romney, Obama reconfirmed his stance on the issue.

"I am a firm believer that climate change is real, that it is impacted by human behaviour and carbon emissions. And as a consequence, I think we've got an obligation to future generations to do something about it," the president told reporters at a 14 November press conference. However, he cautioned that he would not prioritise the issue over jobs and a healthy economy.

Binding commitments for all?

This month's Communist party congress in China, meanwhile, saw Xi Jinping take over from Hu Jintao, who had spent 10 years in the country's top position. Few expect the leadership transition to trigger a sudden shift in Beijing's position on climate change, but many will be watching the country closely for possible changes in approach. Of particular interest will be how hard China, along with most other developing countries, will press for a "common but differentiated responsibility" (CBDR) clause to be incorporated into the Durban Platform. The final ADP agreement reached at COP 17 makes no explicit reference to the concept, which has been an underlying element of the Convention since its inception.

The CBDR issue will factor into discussions across the board in Doha and it will undoubtedly be one of the most difficult to find common ground. While the vast majority of countries agree that industrialised countries have a historical responsibility to take on the lion's share of the initial work on reigning in emissions, some emerging countries are quickly closing that long-standing gap. China, the world's top emitter, recently overtook Russia to become the number two cumulative emitter behind the US.

Already the BASIC group of countries - Brazil, South Africa, India, and China - have been emphasising CBDR in talks since Durban, and this is expected to continue in Doha. This will undoubtedly receive pushback from the US, Canada, and Japan, which have clearly articulated their opposition to a deal that excludes binding commitments for all major polluters. The past year has also shown gaps in what was once a firmly bound negotiating bloc of developing countries. Worried about the effects of rises in sea levels, Small Island Developing States (SIDS) are pushing for higher ambition by all, including increased mitigation efforts from emerging economies. The CBDR issue was instrumental in the US decision to not sign onto the Kyoto Protocol, the first phase of which will expire at the end of this year.

The Kyoto factor

The possible implementation of a second phase of Kyoto will be watched closely at COP 18. While the Durban Platform is designed to be a follow-up global treaty to Kyoto, the terms of the pact will not be finalised until 2015 and it will not enter into force until 2020. A second phase of Kyoto is meant to address this eight year gap by ensuring that the planet has a continuous climate change treaty.

But with the world's major emitters either not subject to binding emissions cuts or not interested in a second Kyoto phase, sealing a deal that will make a meaningful contribution to combating climate change is unlikely. Already, Russia, Canada, and Japan - major economies that signed onto the first phase of the Protocol in 1997 - have said they will not be a part of the next phase. The European Union and Australia have conditionally said that they will be a part of "Kyoto 2," but without the participation of more developed countries, the impacts will be far less than what is needed to keep global temperatures from rising more than 2°C from pre-industrial levels.

Out with the LCA, in with the ADP?

Negotiations on how best to begin operationalising the Durban mandate will be front and centre at COP 18. But lingering in the background will be the LCA negotiating track, which is scheduled to be wrapped-up to allow the ADP to move forward. It is not yet clear how unresolved issues under the LCA will be dealt with upon its termination, but it has been suggested that some may be forwarded to the ADP. Sources close to the talks say they do not expect to encounter any overwhelming obstacles in their efforts to close the LCA in Doha.

As always, financing will likely play a significant role in the COP negotiations. This will include ensuring that the new Green Climate Fund (GCF) is fully operational and that fast-start financing pledges – agreed to in Copenhagen and set to end this year – have been lived up to and are accounted for.

The second session of the “Forum on the Impact of the Implementation of Response Measures” – which was established at COP 17 in Durban – will take place in Doha and will likely see a range of trade issues discussed. The forum was established to discuss the possible consequences of actions that are taken by developed country parties to reduce their greenhouse gas emissions. While initially focussed on the possible loss in revenue by oil-producing nations, the concept has been broadened to look at other possible impacts, such as emissions trading schemes (ETS) and border carbon adjustment policies. The European Union’s controversial inclusion of aviation emissions under its ETS was expected to be the focus of much discussion in Durban before Brussels diffused the issue earlier this month by announcing plans to suspend the scheme for one year.

One response measures issue that will certainly be up for discussion in Doha is that of “unilateral measures” to combat climate change, which is an unresolved issue under the LCA track. While the response measures forum is tasked with “consolidating” the entire process, some developing countries would like to see the issue kept in a standard negotiating track, rather than the forum. Because the forum has a limited lifespan to COP 19 (with possibility of extension), it is unclear what will become of issues discussed there if it is brought to a close.

Technology issue moves forward

Technology issues are expected to progress with the endorsement of additional functions for both components of the Technology Mechanism (TM), which was established at COP 16 in Cancun. The Technology Executive Committee – the Mechanism’s policy arm – will “recommend activities to expand technologies in the public domain,” making up for an omission in the original mandate. The reference to technologies in the “public domain,” which is strongly supported by developing countries, had figured prominently in many past key UNFCCC decisions on technology transfer but not in the one establishing the Mechanism.

The Climate Technology Centre and Network (CTCN) – the operational arm of the Mechanism – is expected to be given the additional function of capacity building for technology assessments. It will also be charged with identifying currently available climate technologies that meet the key low-carbon and climate-resilient development needs of countries. This is meant to respond to concerns by some developing countries that the CTCN would force them to adopt controversial technologies or costly renewable energy technologies that were not appropriate to their needs.

Intellectual property emerges

The role of intellectual property rights (IPRs) in the transfer of climate change technologies has been notoriously contentious in climate change negotiations, and Doha will be no different. Currently on the table are two options as to how to address the linkages between IPRs and technology development and transfer.

One option – more favoured by developing countries – calls upon members to “consider technology related intellectual property rights issues to be a barrier to development and transfer of technologies under the Convention process.” It also asks for the organisation of a forum to discuss these issues, as well as for parties to “cooperate to undertake a range of measures to address the issue of intellectual property rights, as appropriate.” However, this option also calls on organisations such as the World Intellectual Property Organization (WIPO) and the WTO for their input and expert advice, a concession to developed countries which said their expertise was required.

The other option would be no mention of the IPRs issue. This has been the long-standing position held by many developed countries who argue that the UNFCCC is not the right forum to address these issues in any manner whatsoever. They further point out that IPRs are not mentioned at all in the mandate of the TM.

Forward

Overall, few surprises are expected in Doha, but as has been seen in previous COPs, anything can happen. What is certain is that parties have been ramping up their efforts over 2012, and most observers agree that negotiators will be arriving with their shirt sleeves rolled up. Slow progress at the Convention's annual mid-year meeting in Bonn, Germany this year was overcome by hard work at an extraordinary meeting held recently in Bangkok, meant to better prepare texts for the COP. The next two weeks will reveal if they were successful.

ICTSD reporting.

AGRICULTURE

EU: Farm Subsidy Split Sparks Summit Breakdown

Divergent views over farm subsidies and other priorities prompted EU leaders to call off talks on the bloc's trillion-euro budget for 2014 to 2020, after discussions in Brussels failed to make headway last Friday.

With deep divisions emerging among governments over how best to allocate scarce resources at a time of economic stagnation and national cutbacks, the talks on the seven-year budget were postponed indefinitely.

A brief [statement](#) from the European Council simply noted that there was enough convergence among leaders for the discussions to resume again "in the beginning of next year."

"We must get it right," [cautioned](#) Herman Van Rompuy, president of the European Council, in remarks after the meeting. The top EU official, who chaired the high-level talks, warned that governments would need "more time" to finalise a workable solution.

Farm subsidy stumbling block

Revised draft figures [tabled](#) by Van Rompuy last Thursday restored €8 billion that had previously been cut from the outline budget for market-related agricultural spending and direct farm payments – bringing the total to just under €278 billion. A separate category for rural development spending remained unchanged in the revised draft, at almost €84 billion.

France – supported by countries such as Italy and Spain – had pressed Van Rompuy to maintain farm subsidies, despite pressure from the UK, Sweden, and the Netherlands, which favoured cutting spending in this area instead.

At the same time, the president was under pressure from Poland and other countries with below-average income levels to maintain spending on 'cohesion measures' such as transport and environmental projects.

Van Rompuy said his proposal "includes increases in agriculture and cohesion funds," although he added that the totals were lower than those previously proposed by the European Commission. Cuts in other areas would compensate for these increases, he explained.

While Germany and France have both historically defended spending on the bloc's Common Agricultural Policy (CAP), press [reports](#) said that German chancellor Angela Merkel is seeking budget reductions that go beyond current proposals. Farm subsidies would still represent just under [four-tenths](#) of the total draft budget set out in the bloc's multi-annual financial framework.

"I think the positions are still far apart and if we need a second round we will take the time to do it," Merkel told reporters.

While successive reforms have substantially reduced the impact of EU farm subsidies on trade and production, the size and focus of support measures remain controversial within the EU and among the bloc's global trading partners.

European Parliament: talks delayed

The European Parliament's committee on agriculture – which under current rules must decide along with the Council on the bloc's future farm policy – met in a closed session on Monday to discuss progress in moving towards consensus on thousands of proposed amendments, and to consider the impact of the budget talks on the reform process.

Some parliamentarians have argued that the current budget must be maintained if farmers are to be asked to adopt new 'greening' requirements proposed by the European Commission – crop rotation, maintenance of permanent grassland, and protection for ecological focus areas. Others say that clear environmental goals are needed to justify the continuation of subsidies for agriculture. (See Bridges Weekly, [13 June 2012](#))

Agriculture ministers in the European Council were also set to meet today to discuss the reform proposals – some of which they had harshly criticised in previous meetings. (See Bridges Weekly, [16 May 2012](#))

The European Parliament's agriculture committee recently [delayed](#) its vote on the reform proposals until 23-24 January, in the hope that by then its members would know more about the future budget for agricultural support payments. The breakdown of talks amongst EU leaders on Friday could now compel the committee to vote on reform proposals – including 'greening' – without access to this information.

"There are too many question marks in the equations," said one Brussels source who spoke to Bridges about the process.

If European governments are unable to strike a budget deal before February, some parliamentarians may wish to make further changes when the European Parliament as a whole is due to reach agreement on the proposed reforms on 11-14 March, the source added.

However, committee members are under pressure from farm groups to avoid delays that could affect when the reforms are implemented.

Reactions

While EU farm groups reacted angrily to Van Rompuy's initial proposals for farm subsidy cuts, they extended a cautious welcome to the revised draft tabled on Thursday.

"We are pleased to see that member states have proposed improvements which would reduce the blow to the farm sector," Pekka Pesonen, Secretary-General of EU farm group Copa-Cogeca, said in a [statement](#).

The organisation called for agriculture spending to be kept at current levels until 2020. "We urge heads of state and government to make a rapid and positive decision on the European budget for the period 2014-2020," Pesonen [said](#).

However, environmentalists described the breakdown in the talks as a relief. The proposals on the table would have cut rural development payments that are "crucial for achieving biodiversity and climate objectives," according to Birdlife Europe, "while largely wasteful farm subsidies would have been allowed to continue with no strings attached."

"At a time of budgetary pressure, quality of spending should be paramount," Ariel Brunner, the group's head of policy, said in a statement.

ICTSD reporting; "UK, Germans say deeper cuts or no deal in EU budget," REUTERS, 23 November 2012.

INTELLECTUAL PROPERTY

WIPO Negotiations on New Legal Instrument for Visually Impaired Move Forward

After five days of intense negotiations, members of the World Intellectual Property Organization (WIPO) made significant progress on the text for a future legal instrument aimed at improving access to copyrighted material for the visually impaired and print disabled. However, delegations were unable to reach a compromise on several provisions and left open the question of whether the instrument will have binding obligations.

The twenty-fifth [session](#) of the Standing Committee on Copyright and Related Rights (SCCR) – held from 19-23 November in Geneva, Switzerland – was the second step in a roadmap recently adopted by the WIPO General Assembly "with a view to conclude or advance substantially the text-based work." (See Bridges Weekly, [10 October 2012](#))

"We want a good new instrument ... one that will place the visually impaired community and the print disabled in a better position after the conclusion of the new instrument than they are at the moment," WIPO Director-General Francis Gurry said at the start of the meeting.

Delegations agree on definitions

In informal consultations under the guidance of SCCR chair Ambassador Darlington Mwape of Zambia, delegations were able to find convergence on the preamble and in

some areas of past disagreement, such as certain definitions. (See Bridges Weekly, [25 July 2012](#))

Specifically, delegations agreed that the term “work” – which is necessary to ascertain what would fall under the instrument’s scope – should mean literary and artistic works in the form of text, notation, and/or related illustrations, whether published or otherwise made publicly available in any media. In this regard, an agreed statement will be drafted to clarify that audiobooks are included in this definition.

Members also agreed on the definition of the term “authorised entity,” which defines who will be allowed to make, obtain, and supply accessible format copies of works. According to the current version of the text, an authorised entity is one recognised by the government to provide education, instructional training, adaptive reading, or information access to the visually impaired/print disabled on a non-profit basis.

The definition also includes government institutions or non-profit organisations that provide the same services to beneficiary persons as one of their “primary” activities or institutional obligations. However, an agreed statement will also be drafted in this case, in order to clarify the scope of the word “primary.”

Differences remain on flexibilities

Despite the progress made on definitions, a major issue that remained unresolved was the reach of the flexibilities provided by the instrument. In this regard, the African Group [argued](#) that the exceptions and limitations permitted under the potential future treaty should not be negated by “new obligations regarding sovereign discretion by member states regarding how governments create other exceptions and limitations to address public interest needs nationally.”

Particularly, delegations could not agree on whether to openly reaffirm in the text the so-called “three step test,” which sets limits to the exceptions and limitations of a copyright holder’s right. The concept dates back to the Berne Convention for the Protection of Literary and Artistic Works and is also included in the WTO’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and in the more recent Beijing Audiovisual Performances Treaty. The provision has been historically controversial in international negotiations because of different interpretations on how to apply it in a way that upholds the public interest, while also protecting copyright holders’ rights.

Developed countries fear that not including a reference to it in the text might set an unpredictable precedent for future instruments, sources say. Similarly, the International Federation of Reproduction Rights Organisations (IFRRO) – an NGO representing the interests of authors and publishers – [said](#) that “it is, in our view, indispensable that exceptions in the legal instrument be made subject to the so-called three step test.”

However, a representative of Knowledge Ecology International (KEI) – a Washington-based NGO – argued that if “the three step test is already part of international law, it does not need to be included here. It is an effort to restrict the freedom of countries to write national laws to address the public interest.”

Another issue that has delegations at odds involves two provisions that would restrict cross-border exchanges of accessible format copies. Some developing countries reportedly argue that it would be difficult for their authorised entities to implement either of these provisions; this could, in turn, limit their countries’ access to imported books.

Final outcome still uncertain

It still remains unclear whether the future instrument should be a binding one, like a treaty, or a soft law instrument in the form of guidelines or recommendations. The EU –

which on previous occasions had avoided referring to a binding instrument as a possible outcome of negotiations – appeared to show some flexibility on the issue at this session.

“The EU and its member states are now in the position to negotiate the conclusion of an instrument, including a binding treaty,” the EU delegate said.

The US, for its part, notably omitted the word “treaty” from its interventions. “We will be taking this working document home and I assure you that everyone on the US delegation will be working diligently to explain it in Washington, to seek support for it in our capital, and we are very hopeful of bringing back a favourable decision in December,” the US said as the meeting was drawing to a close.

The text will now be considered by an extraordinary meeting of WIPO’s General Assembly on 17-18 December, which will decide whether to convene a diplomatic conference in 2013 for the adoption of the new instrument.

ICTSD reporting; “WIPO Committee Finishes A Step Closer To Treaty For Visually Impaired,” IP WATCH, 24 November 2012.

WORLD TRADE ORGANIZATION

Goods Council: Ukraine Renegotiation Request, Russia Trade Policies Under Scrutiny

Ukraine’s recent request to renegotiate several tariff lines came under scrutiny at a WTO committee meeting this past Monday, with 23 members jointly voicing concerns over the systemic and commercial implications of such a move. Meanwhile, newly-minted WTO member Russia also faced questions during the 26 November meeting, specifically regarding recent policies that some of its trading partners fear are protectionist.

Ukraine renegotiation request

Ukraine’s recent announcement that it would be seeking to revise its tariff schedule in its accession protocol came under fire at Monday’s meeting of the WTO’s Goods Council, with 23 members jointly urging Kiev to withdraw its request.

The members who signed onto the 26 November statement, which was introduced by Australia, included Brazil, Canada, Chile, Colombia, Croatia, the EU, Guatemala, Hong Kong, Iceland, Japan, Liechtenstein, Malaysia, Mexico, New Zealand, Norway, Oman, Paraguay, Singapore, South Korea, Switzerland, Turkey, and the US.

Ukraine had submitted a notice late last year alerting members that it would seek to invoke a provision in the General Agreement on Tariffs and Trade (GATT) – Article 28 – that indeed allows for renegotiating accession terms. However, recent news regarding the proposed size of the request has alarmed other WTO members over the past few months, some of whom had already raised questions about the move at a meeting of the General Council – the WTO’s highest decision-making body outside the ministerial conference – this October. (See Bridges Weekly, [3 October 2012](#))

Kiev's notification covers 371 tariff lines, the group backing the statement said, adding that both the intent of the proposed action – as well as the large number of products and sectors, both agricultural and industrial – are a source of "serious concern." Brazil reportedly noted that the tariff lines cover US\$4.6 billion in trade.

The timing of the proposal – coming just a few years after Ukraine became a WTO member in 2008 – has also sparked unrest among delegations. "Binding of tariff levels is one of the basic principles of the WTO, and serves to guarantee the security and predictability of the multilateral trading system," they said. "Ukraine's notification, coming so soon after its WTO accession, challenges that basic principle," the group added.

Recent comments by Ukrainian officials have further fuelled these concerns, some members noted. The country's prime minister, Nikolai Azarov, said last week that the talks are indeed geared to revise Kiev's accession terms, according to local press reports. "We are very concerned about this since Article 28 was never meant to be used for this kind of purpose," the EU said in response to these reports.

The members backing the statement also stressed that Ukraine's notification comes during a difficult period for the global economy, one where leaders have regularly argued that countries must avoid resorting to trade protectionism. "Ukraine has previously claimed its notification is not protectionist in nature, but the high number of tariff lines involved places such assertions in serious doubt," they argued.

Members also raised concern over whether Ukraine would be able to compensate members for the concessions that they wish to change in their tariff schedule, and noted a "lack of transparency" regarding both the changes Kiev is seeking and the process they plan to follow in doing so.

"This is something which is a bit unprecedented," a delegate from a developing country who signed onto the statement commented to Bridges. "A country which has completed its accession to the WTO recently is now wishing to renegotiate a considerable part of its tariff universe, so this poses a challenge to the organisation and we are concerned because this may impair some of our trade to Ukraine."

Ukraine, for its part, defended the request as normal practice in the WTO, and one that does not constitute protectionism, adding that it is confident in the ability of the global trade body to accommodate its members' needs.

Russia questioned on ban on live animal imports from EU, automobile recycling fee

Russia – whose membership to the Geneva-based trade body took effect just this past August, following nearly two decades of negotiations – also faced questions during the Goods Council meeting, specifically over a ban on the import of live animals from the EU, as well as a recycling fee for automobiles.

"The EU welcomed Russia's WTO accession and was a strong supporter of this process," the EU said at the meeting. "However, we have witnessed a surge of protectionist measures taken recently by Russia undermining the positive effects of WTO accession."

The EU added that Moscow's March ban on live animal imports from the 27-member bloc – specifically on slaughter pigs – as well as the applied recycling fee legislation, are among those measures causing concern over whether Russia is heeding its WTO commitments.

EU Trade Commissioner Karel De Gucht has publicly criticised the live animal import ban in recent months, having referred to it during a September speech in Helsinki as a "clear case of a regulatory measure acting as a tool of trade protection" and as the wrong type of signal to send "at a time when liberalisation is set to be moving forward." (See Bridges Weekly, [19 September 2012](#))

Meanwhile, the automobile recycling fee in question imposes a fee of €420 on small cars to €150,000 for heavy construction vehicles, while not imposing any fee for domestic automobiles as long as they have a recycling guarantee. The policy, which entered into force on 1 September, leads to discrimination between locally-produced and imported vehicles, the EU said on Monday.

The EU's concerns over the impact of the recycling fee on foreign car producers were also shared by Japan and the US, sources confirmed to Bridges.

"We are still in touch with the representatives of Russia in order to convince our counterpart to withdraw or substantially change the provisions of this regulation," the EU said. "We trust that these efforts will lead to a positive outcome and Russia would maintain only such a measure that is in line with its WTO commitments."

Ukraine is also planning to implement its own recycling fee for vehicles, the EU noted during the meeting, adding that the measure is similar to Russia's and could also pose problems.

ICTSD reporting; "PM Azarov: Ukraine in talks to renegotiate terms of WTO accession," THE NATIONAL RADIO COMPANY OF UKRAINE, 22 November 2012.

AGRICULTURE

Trade-distorting Farm Payments Fall to New Low, EU Says

Overall trade-distorting farm support in the EU fell to a fresh low of €15.5 billion in marketing year 2009-10, according to new data provided by the bloc. The new numbers, which are substantially below the €22 billion cap proposed in the WTO's ongoing Doha Round of trade talks, come as governments in the region debate the future direction of farm policy in the 2014-20 budget cycle (see related article, this issue).

According to the report, the most trade-distorting subsidies – classed as 'amber box' payments at the WTO – fell to €8.8 billion, while an additional €5.3 billion were reported as production-limiting payments that nonetheless affect trade ('blue box' payments in WTO jargon). Amber box payments are capped at €72.2 billion under the EU's current WTO commitments.

The bloc also reported that €1.4 billion were provided in trade-distorting payments that fell below five percent of the value of production. Governments do not have to count these subsidies towards the amber box ceiling under a special 'de minimis' provision at the WTO.

Decoupled farm support in the WTO's 'green box', which is exempt from any ceiling on the basis that it causes no more than minimal trade distortion, continued to account for the bulk of agricultural subsidies in the 27-member bloc. At around €63.8 billion, payments in this category have remained steady since 2007, after increasing dramatically in the wake of the 2003 reform of the bloc's Common Agricultural Policy (CAP).

The centrepiece of this reform, the single payment scheme, continued to overshadow other forms of 'green box' payments, with the EU reporting its decoupled income support to farmers at €31.5 billion. The scheme provides for a 'single farm payment' to be made to producers, without reference to current levels of production.

Other significant categories of green box support included investment aids and environmental programmes, each of which accounted for around €6 billion. 'General services' – including research, pest, and disease control, and marketing and infrastructure services – accounted for over €7 billion. Support to disadvantaged regions and payments to farmers made under the bloc's Single Area Payment Scheme accounted for around €4.5 billion each.

Butter, wheat, sugar, and milk were among the products continuing to receive substantial amounts of trade-distorting support.

The new subsidy notification comes just seven months after the EU submitted its previous report, for marketing year 2008-09. (See Bridges Weekly, [25 April 2012](#))

The EU's complete subsidy notification (G/AG/N/EU/10) is available online at: <http://docsonline.wto.org>.

ICTSD reporting.

LATIN AMERICA

Bolivia Invited to Become Full Member of Mercosur

In the latest shakeup to Mercosur's membership, Bolivia has been formally invited to join the South American customs union as a full member. The bid was extended to Bolivian officials by Mercosur High Commissioner Ivan Ramalho early last week.

In doing so, Ramalho stressed the importance of the move, both to Bolivia and the current members of Mercosur, specifically citing the advantages of the nation's prime geographic location in the middle of South America.

According to recent [statements](#) made by Bolivian President Evo Morales, the nation indeed plans to accept Mercosur's invitation. Ecuador has also been invited to begin the process of becoming a full member, Morales said, without elaborating on whether it too intends to accept the invitation; both countries are currently associate members of the bloc.

The process for incorporating Bolivia as a full member into the bloc is scheduled to begin on 6 December at the upcoming Mercosur summit in Brazil.

Current full members of Mercosur include Argentina, Brazil, Paraguay, Uruguay, and Venezuela, though Paraguay is currently suspended from the bloc.

Invitation incites fresh protests from Paraguay

The invitation extended to Bolivia has been met with disapproval from Paraguay, which is already at odds with its fellow Mercosur members following Asunción's suspension from the bloc earlier this year. The suspension, resulting from the impeachment of former President Fernando Lugo, gave way to the union's subsequent acceptance of Venezuela as a full member, a move that further upset Paraguay, whose senate had been blocking ratification for Caracas. (See Bridges Weekly, [4 July 2012](#))

Speaking on the Bolivia invitation, Paraguayan Foreign Minister José Félix Fernández Estigarribia recently called the move part of an Argentina and Brazil-backed "political package," which "besides illegal is contrary to the Asunción Treaty" – Mercosur's founding charter. The minister is reportedly planning to file a complaint on the matter to submit to international organisations in the coming days.

According to the [treaty](#), new members cannot be inducted without unanimous approval by all current full members of the group. Paraguay's suspension rendered the nation unable to vote both on the acceptance of Venezuela and the invitation to Bolivia.

CAN- Mercosur balance?

Meanwhile, Morales' decision to accept Mercosur's invitation has ignited concern over whether Bolivia, already a member of another regional customs bloc – the Community of Andean Nations (CAN) – will be able to balance membership in both agreements. Other CAN members include Colombia, Ecuador, and Peru.

Opposition has been especially strong from the nation's agricultural industry, due to worries that membership in Mercosur will put Bolivian producers at a disadvantage compared to the bloc's economic heavyweights Brazil and Argentina, particularly in the areas of agriculture and textiles. Fears that Bolivia may have to abandon its position in CAN to fully join Mercosur have also been raised, a notion that domestic officials have quickly attempted to dispel.

"Bolivia cannot be forced to abandon CAN to belong to another bloc," Bolivian Foreign Minister David Choquehuanca has said, pointing out that his country's membership in the Unasur and the Community of Latin American and Caribbean States (CELAC, by its acronym in Spanish) agreements did not impede upon its responsibilities to CAN.

Other country officials have stressed that Bolivia – in terms of its geographic position, for instance – could actually serve as a bridge between the two regional blocs.

"Bolivia is the only country in the South American region that belongs to the three basins – the Amazon, the Andean, and the Plata. This places Bolivia in a privileged position, one in which we can dream of being a country that links two of the most important regional agreements, which could serve as a basis for making the goal of Latin American integration a reality," Foreign Trade Vice Minister Pablo Guzmán told reporters last week.

Bolivian diplomats are reportedly planning to meet with Mercosur specialists on 3 December to discuss the level of commitment the country is to assume upon joining the customs bloc, and whether and how these commitments can, in fact, coincide or accommodate those of CAN.

ICTSD reporting: "Bolivia Diplomats to Study Mercosur Commitment," PRENSA LATINA, 26 November, 2012; "Bolivian plans to belong to CAN and Mercosur face several hurdles," MERCOPRESS, 26 November, 2012; "Bolivia formally invited to join Mercosur as full member at December's summit," MERCOPRESS, 22 November 2012; "Bolivia accepts invitation to become full member of Mercosur," MERCOPRESS, 23 November 2012;

"Bolivia y Ecuador reciben invitación para ingreso pleno a Mercosur (Morales)," AFP, 23 November 2012.

EVENTS & RESOURCES

Events

Coming soon

30 November, Doha, Qatar. THE RELEVANCE OF TRADE IN CREATING AN ENABLING ENVIRONMENT FOR ACCESS TO ENERGY: PERSPECTIVES FROM AFRICA. Held on the sidelines of the COP18, this ICTSD-organised roundtable will discuss the essential components of an enabling environment for providing effective and meaningful access to sustainable energy sources, particularly in Africa. Experience with existing initiatives will be shared, in particular on solar lighting, off-grid solar, and clean cook stoves. The focus will be on how trade policy and trade cooperation can help African countries in addressing bottlenecks to accessing critical energy goods and services. Building on this, opportunities will be identified for using trade, investment, and integration initiatives both within and outside of Africa. For more information, visit the ICTSD [website](#).

30 November, Washington, US. RUSSIA AND CHINA IN THE GLOBAL ECONOMY. Organised by the Carnegie Endowment for International Peace, this event will discuss what lessons Russia can take from China's investments. It will point out the fact that Russian efforts to reform education have significantly expanded investment in research and development, but that the higher education sector faces continuing obstacles in developing the necessary human capital and environment for successful competition in an increasingly globalised marketplace. By way of comparison, the event will compare this assessment with that of China, which has quickly become a leading knowledge-based economy and has embraced the development of international education programs, significantly improving the diversity and modernisation of its economy. Based on these analyses, the event aims to determine whether the Chinese experience provides guideposts relevant to Russia's efforts to diversify its currently commodities-dependent economy. For more information, visit the Carnegie Endowment [website](#).

1 December, Doha, Qatar. FAO KNOWLEDGE EVENT ON CLIMATE-SMART APPROACHES FOR AGRICULTURE AT COP18. This event, sponsored by the UN Food and Agriculture Organization, aims to provide a forum for dialogue among participants from countries and the broader public on how to jointly address the challenges of food insecurity and climate change. It will also be an opportunity to present the latest cross-sectoral programmes and activities on agriculture – including forestry and fisheries – and climate change. The knowledge shared in the event will seek to support country efforts in addressing agriculture, food security, and climate change, including during the 18th session of the Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC). For more information, visit the event [website](#).

1 December, Doha, Qatar. GOVERNMENT PROVIDED INCENTIVES FOR TRANSITIONING TO A LOW-CARBON ECONOMY: TRADE IMPLICATIONS. This roundtable, organised by ICTSD and the Organisation for Economic Co-operation and Development (OECD), aims to address the topic of government-provided incentives for transitioning to a low-carbon economy, and their possible implications for trade and trade policy. The dialogue will aim to explore, among experts and leading thinkers, whether existing trade rules contain the

flexibility countries need for designing effective policies for climate change action, while minimising unnecessary trade distortions. It will take the form of a roundtable discussion, where a few experts will act as lead discussants, after which all participants are encouraged to engage actively in the debate. For more information, visit the ICTSD [website](#).

4 December, Washington, US. STRUCTURING THE FINANCIAL INDUSTRY TO ENHANCE ECONOMIC GROWTH AND STABILITY. Hosted by the Brookings Institution, this event will explore how – in light of the financial crisis in the US and elsewhere – Western governments are in the process of sharply transforming the laws and regulations for banks and other financial institutions, and the significant implications for economic growth and stability arising from these changes. The conference will aim to review the social purposes of finance, the current structure of the financial industry, and various reform proposals. For more information, visit the Brookings Institution [website](#).

4-6 December, Geneva, Switzerland. MEASURING THE FUTURE WE WANT. The United Nations Environment Programme (UNEP) is organising an international conference on indicators for inclusive green economy and green growth (GE/GG) policies. The conference will bring together experts from international organisations, national governments, research institutions, and NGOs to share experiences and lessons learned from the work on GE/GG related indicators and discuss how to harmonise approaches and use indicators to guide GE/GG policy development. For more information, visit the event [website](#).

WTO Events

An updated list of forthcoming WTO meetings is posted [here](#). Please bear in mind that dates and times of WTO meetings are often changed, and that the WTO does not always announce the important informal meetings of the different bodies. Unless otherwise indicated, all WTO meetings are held at the WTO, Centre William Rappard, rue de Lausanne 154, 1211 Geneva, Switzerland, and are open to WTO Members and accredited observers only.

29 November: Negotiating Group on Market Access

30 November: Dispute Settlement Body

3 + 6 December: Negotiating Group on Trade Facilitation (following by Inf.)

4 + 6 December: Trade Policy Review Body – Nicaragua

5 December: Committee on Government Procurement

5 December: Working Party on Domestic Regulation

5 December: Committee on Trade in Financial Services

Other Upcoming Events

12-14 December, Coimbatore, India. INTERNATIONAL CONFERENCE ON GOVERNANCE AND SUSTAINABLE DEVELOPMENT: BUILDING COMMERCE AND COMMUNITIES. This conference is being organised by Amrita University (India) and Deakin University (Australia), and will focus on how sustainable and responsible governance fosters the development of commerce and communities. It aims to provide a platform for exploring the latest developments in the governance of sustainable development from a variety of perspectives including environmental sustainability, social enterprise, corporate governance, legal pluralism, and social investment. For more information, visit the event [website](#).

16-17 January, Paris, France. OECD POLICY DIALOGUE ON AID FOR TRADE. This high-level dialogue event, hosted by the Organisation for Economic Co-operation and Development (OECD) with the support of the European Commission, will focus on how to continue delivering Aid for Trade results in a changing international environment for trade and development. The discussions - which aim to attract trade and development experts, providers of South-South co-operation, and representatives from the private sector and think tanks - will focus on issues such as how to deliver and manage aid for trade and development results; ease the binding constraints to trade expansion; promote regional aid-for-trade programmes; reduce the thickness of borders; link to value chains; and engage the private sector. Organisers hope that the outcomes can provide valuable inputs to the July 2013 Global Review of Aid for Trade. For more information, visit the [OECD website](#).

25-26 February, London, UK. GREEN GROWTH: TRANSFORMING ECONOMIES FOR COMPETITIVENESS AND RESILIENCE. Hosted by Chatham House, this conference will ask what the benefits and obstacles are to governments looking into adopting green growth policies. It will aim to answer how this economic transformation can be made possible politically, and what tools and policies will enable it, while pointing out newly emerging economic models. For more information, visit the Chatham House [website](#).

Resources

A GUIDE FOR THE CONCERNED: GUIDANCE ON THE ELABORATION AND IMPLEMENTATION OF BORDER CARBON ADJUSTMENT. By Aaron Cosbey, Susanne Droege, Carolyn Fischer, Julia Reinaud, John Stephenson, Lutz Weischer, and Peter Wooders for the Environment and Trade in a World of Interdependence (ENTWINED) Project (November 2012). This publication states that when governments take strong unilateral action on climate change, they will always consider border carbon adjustment (BCA) as a means to deal with competitiveness and leakage issues. The authors find that while this tool appears straightforward, it is plagued by deeply complex problems in practice, including trade law considerations, methodological challenges, and consistency with principles such as common but differentiated responsibility. The publication goes into depth on the issues that policymakers would need to consider in building and implementing a regime of BCA, serving as a benchmark by which targeted exporters can assess such schemes. The full text is available [here](#).

THE EMISSIONS GAP REPORT 2012. Published by the United Nations Environment Programme (UNEP) (2012). This report provides an update of global greenhouse gas emission updates based on a number of different scientific sources. The report gives an update of the assessment of the "emissions gap" for 2020, including a review of selected samples of the progress being made in different parts of the world to implement policies that are already leading to substantial emissions reduction, and how these can be scaled up and replicated in other countries with the goal of bridging the emissions gap. The full report is available [here](#).

GREEN GROWTH: ECONOMIC THEORY AND POLITICAL DISCOURSE. By Michael Jacobs for the Centre for Climate Change and Economics Policy and the Grantham Research Institute on Climate Change and the Environment (October 2012). This paper explores the concept of 'green growth' as it has emerged in the international policy discourse over recent years. Identifying the core meaning of the concept and sister terms such as 'green economy', it relates green growth to the prior concept of sustainable development. The paper distinguishes between a 'standard' version of green growth which asserts the long-

run economic benefit of environmental protection and a 'strong' interpretation which claims that environmental policy can be a driver for growth. The paper offers some conclusions on the political economy of green growth and how likely it is to succeed in increasing the priority given to environmental policy. The full paper is available [here](#).

SAVING THE EUROZONE: IS A REAL MARSHALL PLAN THE ANSWER? By Nicholas Crafts for Chatham House and Competitive Advantage in the Global Economy (CAGE) (June 2012). This briefing paper addresses the view that more robust policies are needed to stimulate growth in order to help the eurozone survive its current crisis. The author brings in the history of the original Marshall Plan, pointing out the similarities between the struggles Europe faced over sixty years ago and those faced today. Analysing reasons for the success of the original Marshall Plan, the author specifies what a hypothetical "new" Marshall Plan would need to entail in order to succeed in modern times. The full paper is available [here](#).

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