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BRIDGES AFRICA

Trade and Sustainable Development News and Analysis on Africa

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Can Africa adopt adequate technologies to fight climate change?

CLIMATE CHANGE

Making the UNFCCC technology mechanism work for Africa

INTELLECTUAL PROPERTY

LDCs and the need to go beyond the IP waiver

AGRICULTURE

The impact of the CAP reform on African countries



International Centre for Trade
and Sustainable Development

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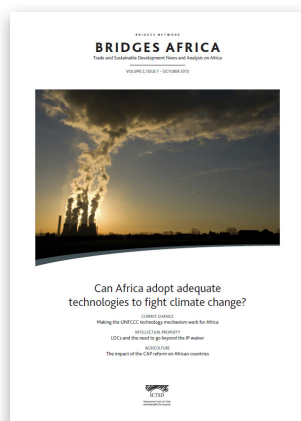
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Intellectual property: A necessary tool for African development



In June 2013, the least developed countries (LDCs) obtained an extension on the World Trade Organization Agreement on Trade Related Intellectual Property Rights (TRIPS) obligations. The WTO decision proposes a transition period of eight years before LDCs have to implement international rules of intellectual property (IP) rights protection. The original request submitted by Haiti on behalf of the LDC Group actually called for extending the transition period further – specifically until a given number of states graduated from LDC status.

A simplistic look at the discussions shows, on one hand, the position of developed countries, which are determined to move towards TRIPS compliance assuming that IP is a crucial element for LDCs' development and, on the other hand, the need of LDC members to maintain some policy space to develop a sound technological base that would make IP protection meaningful.

In his article, Fikremarkos Merso tells us that extending the period of TRIPS implementation is, in fact, just one step. LDCs need to make better use of existing flexibilities in relation to IP protection and enforcement.

Similarly, the impact of IP protection on the development and transfer of technologies for climate change adaptation and mitigation has been the subject of intense debate in climate change negotiations. Developing countries have consistently held the position that IP protection is a barrier to technology transfers from the developed countries and have called for the removal of protections, such as patent rights. At the same time, developed countries have argued that IP protection is an incentive for technological innovation, and have called on developing countries to strengthen IP legislation. (See [ICTSD paper](#))

The 16th Conference of Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) held in Cancun, Mexico in 2010 established a Technology Mechanism (TM) to facilitate the implementation of the Convention's provisions on technology development and transfer. John Mugabe explains in a compelling article how the TM can be operationalised so that African countries can effectively engage in the development, acquisition and use of technologies for climate change adaptation and mitigation.

As usual Bridges Africa includes many other fascinating topics intersecting African trade and development issues, we hope you enjoy reading this edition.

We invite readers to participate in future issues of Bridges Africa and Passerelles by helping to identify emerging issues and relevant research. We welcome your participation and contributions. Write to us at bridgesafrica@ictsd.ch.

The Bridges Africa Team

CLIMATE CHANGE

Making the UN climate change technology mechanism work for Africa

John Ouma-Mugabe

How can the United Nations (UN) climate-change technology mechanism be adequately framed so that African countries engage effectively in the development, acquisition and use of technologies to fight climate change?

Managing climate change and ensuring environmental sustainability requires technological intervention. All countries must invest in the development, diffusion, adaptation and use of a wide range of environmentally sound technologies in order to reduce the emission of greenhouse gases and address the impacts of climate change. This recognition is explicitly expressed in provisions of the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol, as well as many other international agreements on sustainable development, environment and trade. Article 4.5 of the UNFCCC places particular emphasis on the role of developed countries, as it stipulates that they “shall take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other developing country parties.”

However, even after the entry into force of the UNFCCC, issues of technology development and transfer continue to dominate climate-change negotiations. It can be argued that the UNFCCC Conference of Parties (COP) agenda of the last two decades has predominately focused on how to implement articles 4 and 5 related to intergovernmental cooperation in research and technical sharing. African and other developing countries have been concerned about the slow pace of implementation of the technology provisions of the UNFCCC and, in particular, the absence of an international mechanism or institutional arrangement for effecting the transfer of relevant technologies—for both climate-change adaptation and mitigation—from developed countries.

Since the mid-2000s there have been efforts to address the developing countries' concern on the need for an international mechanism for technology development and transfer. In 2007, the 13th COP in Bali, Indonesia adopted the Bali Action Plan, calling for the establishment of effective mechanisms for scaling up the development and transfer of technologies to developing country parties. Three years later, the 16th COP in Cancun, Mexico established the Technology Mechanism (TM), comprising a Technology Executive Committee (TEC) and a Climate Technology Centre and Network (CTCN). In 2011, the 17th COP in Durban, South Africa made decisions that led to the operationalization of the TM. The CTCN's secretariat is also in the process of operationalization and is hosted by the United Nations Environment Programme (UNEP) in Copenhagen, Denmark.

The TM, in general, and the CTCN, in particular, can play a critical role in supporting African countries' efforts to engage in climate-change adaptation and mitigation. Most of these countries possess relatively limited capabilities for developing, acquiring, adopting and using existing and new climate technologies. The TM offers new opportunities by helping countries build low-carbon national innovation and economic systems. This involves developing scientific and technological capacities and designing and implementing modern policies for research and innovation. These efforts should be informed by, or based on, the specific technology and related capacity needs of the countries.

Africa's climate technology and capacity needs

Africa is a continent with a diverse range of economic and innovation systems. Countries have varied or differentiated technological capabilities and climate technology needs. While some have relatively sophisticated innovation systems, others have only

rudimentary or weak components of such systems. However, the countries share certain similarities in terms of climate technology and capacity needs.

The climate technology needs of many African countries are articulated in various studies, including national audits, such as national climate technology needs assessments (TNAs) – conducted by some countries with the support of the Global Environment Facility (GEF) – and national reports for the Rio+20 Conference.

By mid-2012, 28 African countries had prepared TNA reports, and at least 40 submitted national reports to the Rio+20 Conference. Based on the reports, there are many similarities in the technology needs of the countries. Most of the reports focus on technologies for adaptation to climate change. Examples of the countries' technology needs include practices and technological applications, such as solar and wind power, clean coal technologies, integrated gasification combined cycle (IGCC) and IGCC-based systems, fluidized-bed combustion (FBC) and waste management practices.

Most of the identified technologies are in the public domain. In fact, most African countries, including the least-developed ones, have been exposed to these technologies, but may not have access to them, owing to barriers that are not related to intellectual property protection (IPP). There is now a growing body of empirical studies that show that the IPP-technology development and transfer nexus is not a straightforward one whereby IPP is merely a barrier to technology transfer or an incentive for innovative efforts. The development and transfer of climate technologies depend, to a large extent, on the dynamism of national systems of innovation—the capacities of countries to leverage public- and private-sector innovation, using their policies and institutions. Indeed, whether IPP is a barrier to, or an incentive for, technology development and transfer depends on specific conditions in each country and, in fact, specific firms in the countries.

Of the 28 African countries that have prepared TNAs, only two identified IPP as a barrier to technology development, access and transfer. Most countries identified the following as the main barriers to technology development and transfer: lack of financial resources was identified by 26 African countries; inadequate skills in the science, technology and engineering fields (27 countries); lack of information on the technologies (28 countries); lack of information on sources of the technologies (17 countries); absence of policies and institutions to promote technology development and procurement (13 countries); lack of incentives for the private sector to invest in climate-change mitigation technologies (11 countries); low public awareness of environmentally sound practices (23 countries), and poor institutional linkages, particularly between the private and public sectors (21 countries). Most of these barriers were identified in the energy, agriculture, forestry and water sectors.

The barriers listed above are characteristics of weak national innovation systems. They undermine the countries' abilities to engage in climate-change adaptation and mitigation and the implementation of the UNFCCC in general. The TM and its CTCN, in particular, will need to focus on removing these barriers.

Technology Mechanism's strategic support to Africa

The establishment of the TM has raised many African countries' expectations of technology transfer, capacity building and financing for climate-change adaptation and mitigation programmes and projects. Environmental policymakers in Africa perceive the TM as the best mechanism for supporting their countries to engage in the implementation of the UNFCCC. This can be discerned from statements expressed in some of the national reports for Rio+20 as well as submissions at the past two COPs.

To help realise their expectations of the TM, it is important for African countries to identify specific programmatic areas in which the mechanism can work in partnership with national authorities. These countries need to actively participate in the design of the TM's programmes, particularly in the formulation of the CTCN's specific research and technology development activities. They can do this by having each country designate a specific agency or group of experts to interact with the CTCN.

There are at least three areas where the TM can support African countries to build national capabilities for climate technology development, acquisition and adoption.

The first relates to institutionalising technology needs assessment programmes and building capacity to engage in technology prospecting. The latter involves identifying and procuring promising technologies and then introducing them into specific sectors of national economies. As stated earlier, at least 28 African countries had undertaken TNAs by mid-2012. The TM should support more countries to conduct TNAs and help all countries to establish long-term national TNA programmes so that the assessments are not done on an ad-hoc one-off basis but become part of national research and innovation activities. It can assist in developing capacities for TNA by training to build local skills and the provision of guidelines to national institutions that are responsible for the assessments.

As a follow-up to the TNAs, the countries are expected to develop specific plans or strategies for technology development, procurement and transfer. Almost all 28 African countries with TNA reports identified the development of technology implementation plans as a necessary follow-up task. However, few of the countries have been able to design plans that would enable them to effectively engage in climate-change technology development, acquisition and transfer. The TM should support African countries to develop national technology implementation plans.

The second area of support is the improvement of national policies for climate technology development and transfer. Most African countries have implicit policies for technology transfer and/or acquisition. For example, policies for foreign direct investment (FDI) and public sector procurement services can be used by countries to promote climate technology development, transfer and acquisition. However, most policymakers are not really aware of the importance of FDI and public procurement as instruments for technology development and transfer. The TM can assist countries to identify and use such instruments. In addition, the mechanism can support countries to review and upgrade their science, technology and innovation policy frameworks with emphasis on integrating climate technology development and acquisition considerations into such frameworks. It can support African countries to engage in policy learning—drawing lessons on what policies work better in other regions—by providing information on best practices of technology development and transfer policies.

The third area of the TM's support to Africa should be enhancing South-South technology cooperation, that is Africa cooperating with other developing country regions and intra-Africa technology cooperation. Some developing countries are sources of new climate-change mitigation and adaptation technologies. For example, Brazil is the world's leader in biofuel research and development (R&D) and related technological innovation activities. South Africa is one of the leaders in coal-to-synfuels technology development. In short, some developing countries are among the world leaders in the production of a wide range of climate-friendly technologies. Encouraging bilateral and multilateral technology cooperation between African and Asian countries and between African and Latin American countries can help promote climate technology development, transfer and acquisition. The TM should specifically support the creation of South-South climate technology development and transfer networks that will be linked to the CTCN.

Conclusion

The extent to which the TM will work for Africa largely depends on how proactive African leaders will be in participating in future UNFCCC processes. The African Union (AU) needs to establish an experts' working group or advisory panel on the TM to provide policymakers with advice on the best ways and means of utilising the mechanism for the benefit of the continent. Without strategic advice, it is likely that many African countries will stay disengaged from the TM.

This article is based on a longer report published by ICTSD: Realizing the Potential of the UNFCCC Technology Mechanism, ICTSD, May 2012



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INTELLECTUAL PROPERTY

A look into the real picture of IP challenges for african LDCs

Fikremarkos Merso

How can African least-developed countries make better decisions with regard to intellectual property (IP) implementation?

African least-developed countries (LDCs) are at different stages with regard to implementation of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), and they continue to face immense challenges in building their technological base, thus their need for continuous flexibility and policy space. Extending the period of TRIPS implementation is just one step. The LDCs need to make better use of existing flexibilities in relation to intellectual property (IP) protection and enforcement. There is also a need to address the underlying issues beyond the extension, such as helping LDCs build their technological base and better integrating IP and development, rather than focusing exclusively on mere implementation and compliance. Comprehensive work is required to identify trends, gaps, successes and challenges facing African LDCs in this area. Finally, the issue of the LDC TRIPS extension should be considered in the context of LDCs that are in the process of accession to the World Trade Organization (WTO).

A variety of IP regimes among African LDCs

The IP landscape in the African LDCs is diverse. While many of the LDCs have put in place some form of IP regulation, a number of the laws are very old, some inherited from the colonial era and others issued before the TRIPS took effect. The scanty laws in most cases cover only a few intellectual property rights (IPRs), such as patents, copyrights and trademarks and do not extend to all the categories of IPRs covered by the TRIPS.

Currently, only 23 of the LDCs belong to the two African IP organizations: 11 to the African Regional Intellectual Property Organization (ARIPO) and 12 to the Organisation Africaine de la Propriété Intellectuelle (OAPI). Similarly, 32 of the LDCs are members of the World Intellectual Property Organization (WIPO) and are parties to one or more of the treaties under the auspices of the WIPO.

Even in cases where relatively recent regulations are in place, the regulations are in most cases little more than a framework, with detailed rules are yet to be developed for their full implementation. National regulatory frameworks of African LDCs on IP are thus still evolving.

Based on the status of their IP regimes, African LDCs could broadly be classified into five categories.

First, there are LDCs that continue to grapple with old colonial, pre-TRIPS IP laws. Such laws could be found in Angola, for example, where IP law dates back to 1992, and copyright law dates back to 1990. Similarly, the Democratic Republic of Congo (DRC) is still using an industrial property law issued in 1982 and a literary and artistic work law issued in 1986. Many African countries' industrial laws were issued a long time ago, all of them before the TRIPS came into effect and naturally require major revisions to conform to it.

Second, there are also African LDCs that have embarked on reforming their IP laws largely based on TRIPS standards. The reform has been taking place on two fronts: revision of existing legislation and issuance of new laws in areas where there were none.

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32 of the LDCs are members of the World Intellectual Property Organization (WIPO) and are party to one or more of the treaties under the auspices of WIPO.

Third, 12 LDCs are members of the OAPI, which was created on March 2, 1977 under the Bangui Agreement, which intended to make OAPI compatible with the TRIPS, introducing uniform laws on IP and creating a common industrial property office. In each member state, the OAPI serves as both the national office of industrial property and the central authority for documentation and information regarding IP. The OAPI is considered to be TRIPS compliant, in some cases even "TRIPS Plus." The OAPI's standards on the protection of new varieties of plants are based on the standards of the International Union for the Protection of New Varieties of Plants (UPOV), which was not even referred to in the TRIPS.

Fourth, six African LDCs are in the process of accession to the WTO. Each of these countries is at a different stage in the accession negotiations, but their IP laws are being scrutinized by WTO members for TRIPS compatibility. Indeed, the experience of LDCs that have already acceded to the WTO shows that African LDCs will be required to issue and enforce IP laws based on TRIPS standards. These countries are making all the necessary efforts to develop new laws and revise the existing ones along TRIPS lines as part of their negotiations for membership to the WTO. However, capacity and resource-related challenges continue to delay their attempts to make their IP regimes compatible with the TRIPS.

Fifth, there are LDCs that are yet to issue laws in the main IP areas: Eritrea, Somalia and South Sudan. These countries are neither WTO members nor in the accession process to join the organization.

What the broad survey of the IP landscape in Africa suggests is that African LDCs are at different stages in terms of IP lawmaking and enforcement, and the existing IP regimes are far from being TRIPS compliant. Almost none (except OAPI members) have put in place laws covering all the IP categories under the TRIPS. A cursory look at the laws suggests that there are gaps in the existing IP regulations of several LDCs in Africa.

Recent IP-related developments

At the continental level, the implementation of an ambitious proposal for establishing a Pan-African Intellectual Property Organization (PAIPO), that seeks harmonization of IP standards and enforcement, was recently discussed at the African Union (AU) summit at the end of May.

At a regional level, the Common Market for East and Southern Africa (COMESA) has come up with a draft IP policy that capitalizes on innovation and competitiveness where IP has been taken as an important tool for the region's competitiveness strategy. The draft policy also underlines the link between IP and economic development, particularly in relation to the role of IP in promoting innovation in developing countries.

At the national level, there have been a few cases where African LDCs attempted to use IP to promote socio-economic development. For example, Ethiopia has succeeded in registering the trademarks of three popular coffee brands in some European countries, Japan and the United States (US). This is a clear example of an attempt by an African LDC to harness the maximum benefits from its largest export product and promote socio-economic development using IP.

The economic partnership agreement (EPA) negotiations are not going on at the same pace for the different sub-regions of Africa involved. With regard to the East Africa Community (EAC)—where four of its five members are LDCs—Burundi, Rwanda, Tanzania, Kenya and Uganda initialled a framework EPA in 2007, and are now negotiating a comprehensive regional EPA. Similarly, an interim EPA was signed by the European Union (EU) and Botswana, Lesotho, Mozambique and Swaziland in 2009. In the same year, Mauritius, Seychelles, Zimbabwe and Madagascar signed an interim EPA. The EPA IP section is largely based on TRIPS standards with some "TRIPS-plus" provisions.

The challenges

African LDCs are facing a number of challenges in IP lawmaking and enforcement. As indicated, there are a number of LDCs with very old IP laws in a few areas, and they are far from being TRIPS-compliant. In fact, there are only a few LDCs, such as Rwanda, with an IP policy that clearly pronounces the role of IP in their economic development. In addition, despite the belief on the part of many LDCs that current international IP standards may not be flexible enough to address their needs, there seems to be little effort to make use of existing flexibilities in relation to IP protection and enforcement. Furthermore, even though almost all LDCs have some form of IP institutions, those institutions are weak in terms of skilled manpower and resources. Institutional fragmentation in dealing with IP is yet another challenge for African LDCs.

There are additional challenges related to the priority needs assessment that was mandated by the 2005 TRIPS Council decision to extend the transition period of TRIPS implementation for LDCs under Article 66.1. The TRIPS Council did not adopt specific guidelines on how the priority needs assessments should be conducted. As a result, the scope and depth of the assessment exercise were not clearly set. There has not been a clear source of funding earmarked for undertaking these needs assessments. Also, the availability of funding to respond to the technical assistance needs identified by LDCs has remained an important lingering issue.

In any case, the priority needs assessment is a useful exercise for LDCs as part, or independently, of the LDC extension process. First, such an exercise may allow LDCs to make a reality check on where they stand with regard to IP—identifying needs and priorities as well as strengths and weaknesses. Second, such an exercise may also allow LDCs to table concrete and specific demands to their development partners based on their identified needs and priorities. In addition, it may provide the necessary information to tailor support based on the actual needs of the LDCs as well as provide an opportunity to create awareness among a variety of stakeholders.

The need to go beyond the TRIPS extension

In June 2013, WTO members agreed to further extend the transition period for LDCs to implement the TRIPS from end-July 2013 until July 2021. The decision does not affect the current terms for pharmaceuticals, with that deadline remaining in 2016.

While IP lawmaking along the lines of TRIPS is far from being complete, enforcement of the existing laws remains a huge challenge for African LDCs. At the same time, there remain a number of challenges for African LDCs to benefit fully from the priority needs assessment exercise, also taking into consideration that a relatively small number of countries have gone through it.

A reality check of the IP landscape in those countries clearly suggests that the move to integrate LDCs into the international IP system remains challenging, and hence continuous flexibility is critical. The most important issue is not whether LDCs in Africa needed the extension, which appears to be obvious under the current circumstances, but rather how to make the flexibility more effective and useful to achieve its objectives.

The way forward

The state of affairs concerning IP in African LDCs has not been fully studied, and there is a need for more comprehensive work to identify trends, gaps, successes and challenges with a view to making informed decisions in the future. Extending the period of TRIPS implementation is just one step in addressing the unique challenges of LDCs in Africa. Above all, there is a need to address the underlying issues beyond the extension, such as helping LDCs to build their technological base and better integrate IP and development, rather than focusing exclusively on mere implementation and compliance issues.

This article is based on a Policy Brief “[IP trends in African LDCs and the LDC TRIPS transition extension](#),” June 2013, ICTSD.



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AGRICULTURE

What does the EU common agricultural policy reform mean for Africa?

Alan Matthews

What are the implications of the controversial European Union (EU) common agricultural policy reform for African countries?

The European Union (EU) reached a political agreement on the shape of its controversial Common Agricultural Policy (CAP) for the period 2014-2020 in June. The formal legislative texts will be approved in the autumn, and the new policy will come into force on 1 January 2014, but with a transition year to allow member states time to adjust their administrative systems to the new legislative requirements.

The European Commission put forward its legislative proposals in October 2011. The proposals were designed, in part, to address new challenges for European agriculture, including confronting greater price volatility, bolstering climate mitigation and adaptation, encouraging more environmentally sustainable agriculture, strengthening the role of producers in the food chain and promoting more innovation and territorial cohesion. Another important motive was to legitimize the continued transfer of €40 billion per annum in direct payments to EU farmers.

In general, with the possible exception of the sugar market, the changes agreed to the future CAP are not likely to have major implications for Africa (or, indeed, other third countries). Successive reforms have greatly reduced its trade-distorting impacts. High tariffs continue to block third-country imports, but with few exceptions (beef and sugar), EU farm prices are now close to world market levels. In any case, except for some sensitive products from South Africa, sub-Saharan African (SSA) agricultural exports enjoy duty-free and quota-free access to the EU market under the Everything but Arms (EBA) preferential agreement, interim Economic Partnership Agreements (EPAs) or (for South Africa) the Trade Development and Cooperation Agreement. (Nigeria, the Republic of the Congo and Gabon receive preferences under the Generalized System of Preferences, but are not significant agricultural exporters to the EU.)

The CAP agreement

Farmers in the EU continue to receive significant transfers from taxpayers in the form of largely decoupled direct payments. On average, these payments account for 30 percent of farm income across the EU, but they are distributed very unequally (if measured in terms of euros per hectare) both between member states and, at least within the old member states, between farmers. In the old member states (apart from Germany), farmers' entitlements to direct payments are still related to the specific amount of coupled payments each received in the reference period 2000-2002. Greater equity in the distribution of direct payments between member states and between farmers was thus an important objective of this CAP reform.

The negotiations on the CAP legislative texts took place in parallel with the negotiations on the EU's next multi-annual financial framework (MFF). The MFF negotiations decided the amount of resources the EU will allocate to its agricultural policy over the period 2014-2020. The political agreement on the next MFF reached between the Council and Parliament foresees some small reductions in CAP spending in the coming period, but much less than observers predicted at the outset of the talks.

Direct comparisons with spending in the current period are difficult, because of changes in budget headings and in the number of beneficiaries, but the CAP budget, which accounted

for about 44 percent of the total EU budget in 2007 (the beginning of the current programming period) will account for about 36 percent of the budget in 2020 (the end of the next programming period). Expenditure on CAP Pillar 1 (direct payments and market support) is expected to fall by 13 percent between 2013 and 2020, and expenditure on Pillar 2 (which covers rural development and structural adjustment measures) by 18 percent.

Direct payments will be more targeted and distributed more evenly both within and across countries. Thirty percent of each country's direct payments ceiling will be allocated as a green payment to farmers who follow a set of farm practices beneficial for the environment and to mitigate climate change. Although potentially this is a step in the direction of using public money to pay for the public goods linked to agricultural production, the eligibility conditions required to receive the green payment have been heavily criticized as requiring minimal changes in farm practices across the Union.

Other tranches of direct payments can be used to support young farmers (mandatory), farmers in marginal areas, small farms or for coupled payments (voluntary). More progressivity can also be introduced into the distribution of direct payments through a redistributive payment on the first hectares of each farm (voluntary) as well as the capping of larger payments (likely to be mandatory, but the precise details of the latter are still to be decided).

Member states will be required to move away from the historic model of allocating payments to individual farmers to a more uniform level of payment per hectare between farms. Although the Commission wanted to achieve full uniformity by 2019, the eventual compromise gives member states greater leeway in terms of the degree of uniformity to be achieved.

Market organization changes

The CAP political agreement maintains the current architecture of market management tools, including safety net intervention, recourse to private storage and the use of market disturbance clauses to address periods of price crises. Pressure to raise the level of market support guarantees was resisted, although more scope is given to member states to provide coupled payments to support a range of farm sectors. A risk management toolkit is proposed (to be funded under Pillar 2, so it is up to member states whether or not they wish to adopt these measures). Dairy quotas will be eliminated in 2015 and sugar quotas in 2017, although a system to limit the expansion of the area under vines is kept in place. Measures are also adopted to strengthen producer organizations to redress the imbalance of bargaining power along the food chain. Rural development programmes are made more flexible with a stronger emphasis on innovation and encouraging collective action by producers.

Implications for Africa

The current CAP reform has no direct implications for trade policy; the EU continues to insist that any reductions in import barriers or the elimination of export subsidies must be negotiated in the context of the World Trade Organization (WTO) Doha Round. However, there could be some market effects arising from the reshuffling of direct payments. Attaching additional environmental conditions to the receipt of direct payments will raise farmers' costs slightly, thus lowering production. Redistributing payments from more to less productive farms and regions could also lead to slightly lower overall production in the EU (allowing that even decoupled direct payments do provide some stimulus to production). At the same time, member states may use the greater scope for coupled payments to recouple payments to specific sectors. More support for innovation and agricultural research and development (R&D) may also strengthen EU agricultural competitiveness and production in the longer run.

There could also be market effects from the removal of quota limits on the supply of milk and sugar within the EU. In the case of dairy products, in many member states production does not reach the quota level so quotas are not binding. The EU has prepared

a 'soft landing' by gradually increasing quotas by 1 percent per annum in recent years. The elimination of milk quotas will allow expansion to take place in a handful of more competitive member states, but high feed costs and stocking density restrictions on environmental grounds will limit the size of any production increase. Against the background of buoyant global dairy markets, an increase in EU production resulting from the removal of dairy quotas is not likely to have a disruptive effect on world dairy product prices or to lead to a surge in milk powder exports to SSA.

The planned removal of sugar quotas has been more controversial. Both the African, Caribbean and Pacific (ACP) Group of States and EU development nongovernmental organizations (NGOs) supported the continuation of EU sugar quotas until 2020 and have expressed dismay at the negotiated compromise, which will see them eliminated in 2017. Sub-Saharan African exporters to the EU market expect that the removal of quotas will lead to significantly lower EU market prices by encouraging additional white sugar supply, including from current out-of-quota sugar grown in the EU as well as greater competition from isoglucose. The Commission's latest assessment of the impact of the removal of sugar quotas projects a lower domestic sugar price in the EU but no increase in domestic white sugar processing. However, the lower EU price will make imports less attractive, and it projects that sugar imports will decline from current levels.

However, much will depend on the future level of world market prices. The lowest forecasts of EU imports of sugar from the EBA-EPA countries are foreseen with the highest world price assumption. But, if world sugar prices continue to be high, the prospects in other sugar markets, including regional markets, will be good. Despite very attractive EU market prices in recent years, EBA-EPA producers did not increase exports significantly, because world sugar prices were also high and competing markets were more attractive. Producers in East and Southern Africa are among the world's lowest-cost producers of sugar, and the production potential is enormous. Africa itself remains an importer of sugar, with most imports coming from Brazil. Duty-free access will continue to make the EU market attractive. Higher-cost exporters, such as Mauritius, have moved up the value chain and now export only value-added products rather than raw sugar. The bigger problem is likely to be overcoming the constraints to increasing supply as efficient cane farming must be irrigated and large-scale.

Conclusions

The 2013 CAP reform contains measures that both can stimulate and restrain EU agricultural production compared with a continuation of current policies. Therefore, in aggregate, the impacts are likely to be rather neutral on world markets. But, the consequences for individual commodities will be more nuanced. The impact of greening direct payments will largely affect arable production, for example, and may result in slightly higher prices for cereals and oilseeds as a result. However, the removal of sugar quotas from 2017 will have the opposite effect of lowering EU sugar prices. How African countries are affected will thus depend on the composition of their exports and imports and on the ease with which changes in world market prices are transmitted to their domestic markets.

But, the overall orders of magnitude must be kept in perspective. With the possible exception of sugar, the production and trade effects of this CAP reform are likely to be very minor, certainly small in comparison to recent world market price volatility and small also in comparison with the impact of other, non-agricultural, EU policies, such as renewable energy targets, new trade preferences in the context of regional trade agreements, higher animal welfare standards, restrictions on the use of biotechnology and environmental policies.



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WTO

Challenges and demands of LDCs on the road to Bali

Nathan Iumba

The author of this article highlights issues of priority to LDCs on the road to Bali and provides recommendations.

The Ninth Biannual Ministerial Meeting (MC9) of the World Trade Organization (WTO) is scheduled to take place in Bali, Indonesia from 3-6 December, 2013. The meeting comes 12 years after the launch of the Doha Round originally envisaged to conclude in 2005. The negotiations are locked up in a strategic impasse arising from differences over the market access ambitions of the developed countries on one hand, and the development concerns of the developing countries, which were expected to be the centrepiece of the Round, on the other hand.

There is a general fear that if no appreciable progress is registered in Bali, it will seriously dent the credibility of the WTO as a forum for negotiations. This could result in the organization being sidelined in favour of bilateral, regional, and plurilateral arrangements or other coalitions of the willing.

It is in light of this apprehension that, in the Geneva preparatory process, member states have focused on putting together an acceptable mini package to be submitted to ministers in Bali for adoption as an early harvest, as per paragraph 47 of the Doha Declaration. There is general agreement that such a package must include measures in favour of least-developed countries (LDCs): the so called "LDC package for Bali." There is a strong push by developed countries to have the trade facilitation agreement finalised. The agenda also includes a proposal from the G-33 group of developing countries on food aid and food security in agriculture modalities and proposals from the G-20 group of developing countries active in agriculture on export competition and tariff rate quota administration and on key development issues (implementation issues and special and differential treatments). There are contentious moves to expand the post-Bali agenda to include the so-called 21st century issues currently not part of the Doha development agenda.

LDCs need to remain fully engaged to ensure that their priorities are fast tracked and not held hostage in mercantile extraneous trade-offs. LDCs also need to be engaged in other non-LDC specific issues, as these will invariably impact them in one way or another.

Why LDCs must remain a priority

Although the international community in various forums has re-affirmed the determination to give priority attention to the LDC problematic, these countries have remained marginal in the global economy, owing to their structural weaknesses and their means of integration into the global economy. The United Nations Conference on Trade and Development (UNCTAD) Least-Developing Countries Report 2010 observes that unless both these aspects are addressed, these countries will remain marginal and their vulnerability to external shocks and pressures will persist. It notes that the existing international support measures have been largely symbolic, as they do not address the structural weakness of the LDCs. Besides, the way these measures are designed often contains exclusions that reduce their commercial value to the beneficiaries.

At the fourth United Nations Conference on the LDCs held in Istanbul, Turkey in 2011, participants agreed that the overarching goal of the support measures for LDCs during the coming decade would be to enable half of these countries to meet the criteria for graduation by 2020. Trade, including in commodities, was identified as one of the priority

areas for action with a view to building LDCs' productive capacities as well as increasing and diversifying their export base. It was agreed that the policies and measures to be pursued would be in line with the goals of:

- Significantly increasing and doubling the LDC's share in global trade by 2020
- Realizing the timely implementation of duty-free quota-free (DFQF) market access in line with Hong Kong Declaration
- Making substantial efforts for an early and successful conclusion of the Doha Round with an ambitious, comprehensive, balanced and development-oriented outcome.

The Bali MC9 offers an opportunity to press this issue further to ensure the present state of manufacturing capacity in LDCs takes into account the dynamics of value chains.

For the above goals to be achieved, it is imperative that LDC issues remain a priority on the international agenda. The WTO has an important role to play. The MC9 must be used as a platform to remind member states of these commitments. The overriding concern for LDCs is to promote their beneficial integration in the world trading system and to ensure that they retain sufficient policy space to design and implement policies for development. The challenge is to ensure that they are mainstreamed in the WTO work programme and rules.

Market access

In the context of the Bali package, the LDCs have outlined in document TN/C/W/63, proposals for implementation of the DFQF decision taken by members at the Hong Kong Ministerial Conference in 2005; adoption of simple and flexible preferential rules of origin criteria that would enhance exports from LDCs; a submission in the area of cotton, covering both the trade and development aspects; and a submission for the operationalisation of the LDC services waiver.

In response to the LDCs demands, the Hong Kong Ministerial Conference agreed to grant at least 97 percent DFQF market access to products originating from LDCs "by 2008 no later than the start of the implementation period," which was hailed as an important step forward.

The outcome, however, was much less than the LDCs had requested. The decision left the United States (US) and other developed countries the discretion to exclude the products to be covered as well as to decide which countries would benefit. Therefore, the decision adopted was not as generous as it appears. The LDCs export limited products, and the 3 percent of tariff lines excluded may in reality cover many of the most valuable exports from LDCs. The decision creates a very bad precedent. The objective of giving DFQF market access should be to facilitate the increase of LDCs' exports, so that earnings are used as a resource for sustainable development towards eventual graduation from the LDC category. LDCs' exports are highly concentrated and restricted to a few tariff lines. Therefore, exclusion of a product in which an LDC is competitive undermines the development prospects of the affected country and its ability to work itself out of the LDC category.

Rules of origin are critical for effective market access by LDCs. According to UNCTAD, the most important reason for low levels of preference utilization are the 'rules of origin' that apply to products imported under preferential terms from the LDCs. In Hong Kong, it was

agreed that members should ensure that preferential rules of origin applicable to imports from LDCs should be transparent and simple and contribute to facilitating market access. Although some countries have revised their preferential rules of origin, much remains to be done. The Bali MC9 offers an opportunity to press this issue further to ensure the present state of manufacturing capacity in LDCs takes into account the dynamics of value chains.

Cotton issue

In 2004, the WTO General Council agreed that the cotton issue should be addressed ambitiously, expeditiously, and specifically within the agriculture negotiations in relation to all trade-distorting policies in the three pillars of market access, domestic support, and export competition.

In Hong Kong it was agreed:

- All forms of export subsidies for cotton will be eliminated by developed countries in 2006;
- Developed countries will give DFQF access for cotton exports from LDCs from the commencement of the implementation period.
- The implementation issue with respect to cotton should be addressed in Bali as part of the agreed package.

Operationalisation of services waiver

At the Eighth Ministerial Conference in 2011, WTO members adopted the first services waiver under the General Agreement on Trade in Services (GATS), which would permit members to grant preferential market access to LDC services and service suppliers. This was an important step forward in the multilateral trading system to help LDCs secure an increasing share of world trade in services as the services sector is continually growing.

However, while the service sector is an important contributor to the GDP of the LDCs, their share in global commercial services is only about 0.5 percent. This makes the effective operationalisation the services waiver more urgent.

According to the waiver, preferential treatment shall be designed to promote the trade of LDCs in those sectors and modes of supply that are of particular export interest to them. As the waiver does not obligate members to automatically grant preferences, its utility will depend on whether a member grants preferences in sectors and modes that the LDCs can effectively utilize. Mode 4, namely movement of natural persons, is one of the areas where LDCs could greatly benefit, especially with respect to low-skilled workers. Unfortunately, this mode is often contingent on commercial presence in most of the current schedules, making it of little utility. The UNCTAD LDCs Report 2012 underscores the importance of remittances from diaspora as a resource for development. LDCs would need to emphasise the need to have appropriate preferences in this regard. LDCs have asked for the organisation of a signalling conference on this issue.

TRIPs waiver - extension of TRIPs transition period

The LDCs have submitted a well-motivated request, under Article 66.1 of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) for an extension of the period for them to comply with provisions until such time as they graduate from the LDC category. They argued that LDCs have not significantly changed in terms of developing technological bases and would not be in a position to do so as long as they remain LDCs. However, the TRIPs Council granted them an extension of only eight years until 2021.

Therefore, the LDCs should demand assistance to enable them to develop the requisite technological base or graduate from the LDC category as envisaged in the Istanbul Plan of Action.

Conclusion and recommendations

The LDCs' approach is anchored in the assurances given at the launch of Doha Development Round (DDA) that:

- The interests of all developing countries, including LDCs will be at its centre.
- Negotiations on all outstanding issues will be an integral part of the work programme.
- Article 20 of the Agreement on Agriculture will be implemented to achieve further reforms in agriculture.
- Liberalisation of trade in services should be in accordance with Article XIX of the GATS, which takes into account the level of development of individual members and provides flexibility for developing countries.
- A commitment to the objective of DFQF market access for LDCs will be upheld.
- Cotton would be addressed 'ambitiously' and 'specifically' within agriculture.
- A decision will be taken on the postponement of negotiations on Singapore issues.

The trade facilitation agreement should not be accepted unless there is a balance between the commitments in section one and section two concerning capacity building and the need to provide LDCs sufficient policy space.

The Bali package should comprehensively cover the LDCs' proposals as well as proposals by India addressing food security concerns in agriculture. These are aimed at rectifying historical imbalances and should not be traded off with new issues, such as trade facilitation. The trade facilitation agreement should not be accepted unless there is a balance between the commitments in section one and section two concerning capacity building and the need to provide LDCs sufficient policy space.

DFQF market access should be provided to LDCs without reservation or conditionality. Non-conditional aid for trade should be provided to strengthen LDCs' productive capacity in order to ensure equitable and inclusive growth. The commitment made by the WTO on cotton trade should be implemented fully in letter and spirit.

LDCs should not entertain plurilateral agreements, which can only have the effect of marginalising their interests and participation.



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WTO

Political engagement needed for Bali success, Azevêdo warns

The pace of the Bali talks remains worryingly slow and the political engagement from capitals will be key to ensuring a successful outcome in the weeks to come warned WTO DG Roberto Azevêdo.

Since taking office on 1 September, Azevêdo has been hosting an intensive series of meetings in various configurations with members, in the hopes of ramping up the preparations for the ministerial conference. Most of these have been among a cross-section of about 50 ambassadors, with at most one technical official each, in the "Room D/E" format, named after the rooms at the WTO where these meetings have been held.

The WTO chief has also held meetings with senior officials from capitals, as well as with the Trade Negotiations Committee (TNC), which is tasked with the overall Doha Round negotiations. (See Bridges Weekly, [26 September 2013](#))

Azevêdo: "Things are going to have to change"

The second cycle of Room D/E consultations kicked off immediately after the 23 September meeting of the TNC, with Azevêdo convening members for half a dozen sessions within the span of a week. Negotiating group chairs also held consultations in various settings to complement the process.

Reporting to members at another meeting of the TNC this past Monday, the Director-General noted some encouraging advances in all three areas - trade facilitation, agriculture, and development issues - over the past few days. However, he warned on Monday, "at the current pace we simply are not going to meet our target of having all landing zones clearly identified by the end of October."

"Things are going to have to change," he urged, while adding that he remains convinced that the task is not impossible.

Delegates speaking to Bridges in recent weeks have also noted some signs of improvement in the negotiations, while warning that any agreement in Bali will require some major compromises and calibrated ambition.

At this stage, the new WTO chief is now sending a letter to ministers asking for their "personal and active" engagement in the remaining days before the ministerial. "Ministers and senior officials need to give you the additional room you need to genuinely look for convergence in each of the three areas," he told the TNC.

Azevêdo has set the end of this month as the window for negotiators to get their Geneva-based work done, and has urged members not to let this deadline - like previous ones in the long-running Doha Round negotiations - pass.

The Director-General is slated to attend this week's summit of APEC leaders, which is also being held in Bali. Trade observers will be watching the Asia-Pacific meeting closely to see what political signals officials may send regarding the WTO ministerial.

Work in Geneva is expected to continue in Azevêdo's absence, under the guidance of the respective negotiating group chairs, the least developed country (LDC) facilitator, and the four "Friends of the Chair" assisting in the trade facilitation talks. The Director-General will then host the next meeting of the Trade Negotiations Committee on 14 October.

Trade facilitation

Work around trade facilitation has intensified, Azevêdo said on Monday. However, the recent sessions also made clear the "considerable amount" of work that lies ahead. Customs cooperation - an area that some delegates speaking to Bridges have termed a "make or break" subject in the talks - has been given special time in the recent consultations. The controversial Section II of the trade facilitation draft text - which deals with flexibilities for developing countries - was also discussed at length in the recent consultations, though advances throughout the talks have been "uneven."

The four "Friends of the Chair" - a set of senior officials who have been consulting with members since March on the remaining points of contention in the current draft text, under the guidance of Ambassador Eduardo Ernesto Sperisen-Yurt of Guatemala, who chairs the trade facilitation talks - will continue consultations with members until the next round of Room D/E consultations.

Agriculture: Members focus on "peace clause" details

The use of a "peace clause" as a potential interim solution to the controversial G-33 proposal on public food stockholding and domestic food aid has continued to feature prominently in the agriculture negotiations, particularly with regards to transparency, as well as safeguards to minimize any possible trade distortions. (For more on the agriculture negotiations, particularly the G-33 proposal, see related story in this issue.)

The two other proposals under consideration - both tabled by the G-20 coalition of developing countries - were also addressed during the latest Room D/E consultations. Divergences on the special and differential treatment component of the proposal relating to tariff rate quotas (TRQs) - which are used by some countries to charge higher tariffs on goods being imported after an initial quota has been filled - remain unresolved, though members are reportedly finding agreement on the transparency elements of the proposal.

On export competition, members are looking at whether a "step forward" on these disciplines, as outlined by the G-20, could be realistic for Bali, as well as whether and how the whole export competition pillar should be dealt with at the ministerial.

Monitoring Mechanism

The development-related consultations over the past several days have focused primarily on the proposed Monitoring Mechanism - an idea that has been in the works for several years - and issues related to the WTO's poorest members.

Earlier efforts to include the Cancún 28 proposals - a set of provisions related to special and differential treatment (S&DT) across the various WTO Agreements that were approved in principle a decade ago - and six Agreement-specific S&DT proposals in the Bali package have since been dropped.

The so-called Monitoring Mechanism would review the functioning of provisions in WTO rules for S&DT treatment in favour of developing countries and potentially suggest improvements. Discussions in the past week have focused on how often the mechanism should meet, its non-negotiating character, and the focus of the mechanism's review.

Proposals on two of the topics related to least developed countries (LDCs)- services and cotton - are still forthcoming. Meanwhile, Danish Ambassador Steffen Smidt has been consulting with WTO members over the past week on a revised proposal from the LDC Group regarding rules of origin, which sources say have been well-received. The divide within the same group regarding duty-free, quota-free market access remains unresolved, with Azevêdo urging both LDCs and other interested members "to reflect upon what is doable" before the ministerial.

GLOBAL ECONOMY

G-20: Global economy on the mend, but more work remains

Although the global economy continues to improve, the lingering Eurozone crisis, slowing growth in emerging markets, and an impending "currency war" still pose considerable threats to lasting stability.

The global economy is in better standing than it was a year ago, members of the Group of 20 major industrialised economies said during their annual meeting in St. Petersburg, Russia on 5-6 September. However, more work remains, given the fragile nature of the recovery and concern over slowing growth in emerging markets.

The state of the global economy was meant to be the main theme of the event, which was held under the Russian presidency. However, the ongoing conflict in Syria overshadowed most of the proceedings, despite not being on the official summit agenda.

When the group gathered in Mexico City a year ago, fears of a continued Eurozone crisis and impending US "fiscal cliff" had dominated the high-level discussions. (See Bridges Weekly, [7 November 2012](#)) In comparison, this year the global economy appears to be on the mend, a result that officials attributed largely to a "coordinated" response by G-20 members.

"For the first time in three years, instead of an urgent discussion to address the European financial crisis, we see a Europe that has emerged from recession," US President Barack Obama told reporters following the [meeting](#).

However, G-20 leaders warned in their final declaration, "our work is not yet complete," a sentiment that Russian President Vladimir Putin, who hosted this year's meeting, particularly stressed. Actions that the group has pledged to take include an initiative on growth and jobs, as well as a plan to tackle tax evasion by multinationals.

"The most difficult and time-consuming discussions related to the evaluation of the situation of the global economy," Andrei Bokarev, head of the Russian Finance Ministry's international department, told Reuters.

Recent data has confirmed that the global recovery is indeed underway, but at different speeds. Advanced economies have shown signs of improvement, according to recent OECD [data](#). Growth in emerging economies, however, has started to lose momentum, which the G-20 attributed partly to volatile capital flows and domestic structural challenges.

"Our most urgent need is to increase the momentum of the global recovery, generate higher growth and better jobs, while strengthening the foundations for long-term growth and avoiding policies that could cause the recovery to falter or promote growth at other countries' expense," G-20 leaders said.

"Standstill" commitment extended

Back in June, the Geneva-based WTO warned that trade restrictions were again on the rise among G-20 members, and that the pace of rolling back existing measures was not fast enough to prevent these from accumulating. (See Bridges Weekly, [20 June 2013](#))

Trade officials, including former WTO Director-General Pascal Lamy, have warned that the introduction of such protectionist measures could have damaging effects on global economic growth, and have urged G-20 members to remove such policies.

G-20 leaders agreed in St. Petersburg to extend to 2016 their "standstill commitment" against raising or imposing new barriers to trade and investment in goods and services, a pledge that dates back to the 2010 summit in Toronto. (See Bridges Weekly, [30 June 2010](#)) Members also reiterated their earlier promise to "rollback" any new measures that may have arisen.

Bali ministerial, bilateral deals in focus

The group also issued a public call to WTO members to show new flexibilities in their preparations for their upcoming ministerial conference, which will be held in the Indonesian island province of Bali this December. The global trade body's 159 members has been feverishly working to clinch a deal on select items from the Doha Round of trade talks in time for the high-level gathering, in what many say is a crucial test for the credibility of the multilateral trading system.

"A successful outcome at the WTO Ministerial Conference (MC9) in Bali in December 2013... would be a stepping stone to further multilateral trade liberalisation and progress in Doha Development Agenda negotiations," leaders said in their summit declaration.

"We call on all WTO members to show the necessary flexibilities in order to bridge existing gaps and deliver positive and balanced results at [the ministerial]," they added.

Monetary policy

Monetary policy in advanced economies - particularly the US, along with the EU and Japan - was once again under scrutiny during this year's meeting, this time amid news that the US Federal Reserve could soon be slowing down QE3, its controversial quantitative easing programme that had led officials in some emerging economies - most notably Brazil - to warn of a "currency war." (See Bridges Weekly, [20 February 2013](#))

The impending changes to the QE3 programme have again sparked fears among developing economies that they could suffer "spillover" effects as a result, leading the BRICS countries - Brazil, Russia, India, China, and South Africa - to issue a joint statement calling for the normalisation of monetary policies to be "effectively and carefully calibrated and communicated."

"Unconventional" monetary policies, such as QE3 and similar efforts in the EU and Japan, have "bought time" for global policymakers, International Monetary Fund (IMF) Managing Director Christine Lagarde said at a separate event in Jackson Hole, Wyoming, last week. This time should be used to carry out reforms in order to facilitate future growth, she said, urging countries to "use this time wisely."

The pace of retreating from these "unconventional" policies will also vary depending on the context, the IMF chief said, with Frankfurt and Tokyo likely requiring more time before starting their own exits.

More information

The G-20 official communiqué, action plan, and annexes are all available [here](#).

WTO

WTO members prepare for “final countdown” as ministerial looms

Just eight weeks until the WTO's ministerial conference in Bali, Indonesia, members are rushing to prepare a final set of deliverables for December's meeting. While the renewed pace of work is “inspiring”, WTO Director-General Roberto Azevedo reported members must continue to “expedite our negotiations and work more intensely”.

With just eight weeks to go until the WTO's ministerial conference in Bali, Indonesia, members have feverishly working in an effort to prepare a final set of deliverables in time for the December gathering. While the renewed pace of work is “inspiring,” WTO Director-General Roberto Azevêdo reported, members must continue to “expedite our negotiations and work more intensely” in the remaining months ahead.

Azevêdo: main Geneva negotiations should be done by end-October

WTO members have been engaged in an intense series of consultations during the past three weeks since Azevêdo formally took office as Director-General on 1 September. The meetings to date have been at three levels, addressing all of the Bali topics: trade facilitation, agriculture, and issues related to developing and least developed countries.

The first tier of consultations were the so-called “Room E/D meetings,” named for the rooms at Centre William Rappard in Geneva, where Azevêdo convened approximately 50 ambassadors - accompanied by at most one technical official each - representing a range of interests and coalitions.

The first cycle of the new Room E/D format featured ten sessions, which were then followed by a meeting of senior officials from capitals on 19 September. Members then met in the context of the Trade Negotiations Committee. The next cycle of Room E/D consultations have been underway, with another TNC scheduled last 30 September.

While the work over the past few weeks has been “focused, precise, and business-like,” Azevêdo warned WTO members at that last TNC that there is still a long way to go in order to clinch a deal in time for the December conference.

“From the week of 14 October onwards, we will be in final countdown mode to the end of the month,” he said. “A frank assessment of the progress that has been made will be required - as well as setting the course for the final stretch of our path towards Bali.”

Members should be ready to conclude the main part of their Geneva negotiations by late October, he added. “By then, we should be able to see the [Bali] landing zones.”

Delegates speaking to Bridges generally welcomed the escalation in pace of the negotiations, while cautioning that many differences remain at both political and technical levels.

“Members are more focused now - more than before - on Bali,” a developed country delegate said. “But the question is how much will we be able to do?”

“Even if an outcome comes, it will be one with calibrated ambition,” another delegate noted, given the limited time between now and the ministerial. “There will be a lot of compromise.”

The Bali Trade and Development Symposium (TDS) will be held in conjunction with the Ninth Ministerial Conference of the World Trade Organisation in Bali, Indonesia from 3-5 December 2013. - See more at: <http://www.ictsdSYMPOSIUM.org/>

Trade facilitation

The meetings this month have addressed all parts of the trade facilitation mandate, Azevêdo reported.

However, concerns still remain over how to resolve differences in Section 2 of the text, a notoriously contentious area that deals with flexibilities for developing countries. These countries have long been wary of taking on potentially "onerous" commitments that could prove difficult and costly to put into effect. Some developed countries, however, have stressed that obligations need to be binding in order for a trade facilitation pact to yield any benefits.

"This is the bargaining area," one trade official said. "It's a chicken-and-egg question - do you commit to the funding first, or do you commit to binding rules first with the expectation of then getting assistance."

Sources say that customs cooperation - technically part of "Section 1" of the trade facilitation draft text - is also proving to be particularly difficult. This is a "make-or-break" issue, one developing country delegate commented. Other tough issues include consularisation, transit, pre-shipment inspections, and customs brokers, the delegate added.

"If these issues - and Section 2 - are settled, dropped, or we reach some sort of compromise, I think trade facilitation could be done for Bali," the source said. "Otherwise, it would be hard to have an agreement."

There is also no consensus yet on whether and when to have a trade facilitation "signalling conference," where members openly submit definitive proposals for finalising the text, another source said, referring to an idea floated during earlier meetings in July. (See Bridges Weekly, [25 July 2013](#))

Agriculture: "peace clause" gains traction

The proposal from the G-33 coalition for providing increased flexibility to developing countries for building food security stockpiles and domestic food aid has been the subject of "intensive consultations" in recent weeks, Azevêdo reported.

Notably, the idea of a "peace clause" - in other words, a due restraint mechanism that would prevent WTO members from launching disputes in a certain area - has continued to gain momentum. The proposed peace clause is one of a series of options that was presented in a "non-paper" earlier this month by a subset of the G-33. (See Bridges Weekly, [19 September 2013](#))

However, sources have said, there are still many open questions over how such a peace clause might work. For instance, whether it would be political or legally binding; what timeframe would the clause be applicable for; what it would cover; and what would be a possible path to a long-term solution after Bali, among other issues.

A proposal from the G-20 developing country coalition on export competition "remains sensitive," the Director-General reported, though members appear open to adopting some kind of outcome in Bali. Another proposal on the administration of tariff-rate quotas (TRQs) is facing difficulty over disagreements on its special and differential treatment (S&DT) provisions.

"This is a simple and straightforward proposal that most members tend to find well-calibrated and achievable," Azevêdo said. "I would hope that this could be done quickly so we can concentrate on the more complex agriculture issues."

Monitoring Mechanism advances; complications for "Cancún 28" proposals

With regards to the development-related components of the proposed Bali package, discussions on the Monitoring Mechanism have reportedly advanced in recent weeks.

The so-called Monitoring Mechanism would review the functioning of provisions in WTO rules for S&DT treatment in favour of developing countries and potentially suggest improvements. However, sources say that questions remain over the mechanism's function - specifically, whether it will focus on reviewing the effectiveness of S&DT proposals, or instead on their implementation.

Other questions include the nature of the recommendations that the mechanism will be allowed to make to WTO bodies, and the mechanism's relationship with those same bodies.

Though the discussions on a Monitoring Mechanism appear to be progressing, sources say that the Cancún 28 proposals appear to no longer be on the table.

The Cancún 28 are a series of proposals on special and differential treatment that were agreed in principle - though not "harvested" - at the WTO's fifth ministerial conference in Cancún in 2003. Over the past several months, WTO members had been reviewing which of the proposals could be adopted as is, and which would require updating. However, sources say that the LDC Group and the African Group have now asked that the 28 proposals be considered for adoption together as a single package.

"It was a bit of a surprise," one developed country delegate remarked. "Our view is that, if something is meaningful, and commercially also valuable, then it should be doable to work on as many issues as possible."

Another delegate familiar with the African and LDC Group discussions explained that, upon review, the groups had decided to push for the Cancún 28 proposals to be adopted as a whole in order to ensure that those proposals with the most economic value are adopted.

Disagreements among members over which proposals to adopt, and which to revise or push back to after-Bali, prompted the LDC and African Group's positions.

"These were already compromises," the delegate explained, referring to the negotiations prior to the 2003 Cancún ministerial. "We don't want to cherry-pick and end up with something valueless."

While the Director-General has said that the issue "is not necessarily closed" as far as he is concerned, some delegates expressed scepticism that the Cancún 28 proposals will be on the table for Bali.

"It's not going to happen," one said. "We've dropped it in the Bali context."

LDC issues: revised rules-of-origin proposal tabled

Proposals from the LDC Group on cotton and on operationalizing the services waiver are still forthcoming, sources say. However, differences within the group on duty-free, quota-free market access currently remain unresolved, given the fear of some least developed countries of preference erosion.

The LDC Group has submitted a revised proposal on rules-of-origin, which was reportedly well-received by many members.

"These are now in the form of guidelines, rather than a draft decision," one delegate familiar with the proposal explained, adding that this helped make it more acceptable to members who had previously opposed it.

The newsroom

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Farm bill left unfinished

Lawmakers in the US were unable to reach a final budget compromise in the early hours of 1 October, triggering a shutdown of the federal government. Given the budget impasse, Congress was also unable to reach agreement on a 2013 Farm Bill, letting last year's extension to the 2008 legislation expire.

Farm policy has taken a back seat in recent weeks to a confrontation along party lines regarding the Obama Administration's reforms to US healthcare. Although procedural steps to move the omnibus legislation covering American agriculture are being assiduously addressed by the leadership of the agriculture committees, substantive compromises have remained subject to broader debates on the budget and the healthcare law.

Before the August recess, the two chambers of Congress had differed on the nutrition component of the Farm Bill, so much so that they could not be reconciled. After legislators returned to Washington in September, compromises were being hashed out as some members of the House of Representatives put forward a bill to re-link the commodity and nutrition titles.

Though the measure did not pass, pundits say the effort indicated a willingness among sharply-divided lawmakers to eke out a compromise. Historically, rural farm interests and those concerned with urban nutrition have worked together to ensure the other a share of taxpayer funds.

A separate nutrition component of the Farm Bill was finally passed by the House late in August on a party line vote. The deep cuts in the House nutrition bill have been a source of contention between the two parties as they seek a compromise on farm policy. The Senate, on the other hand, has twice passed both the nutrition and commodity elements of its bill in as many years.

A final Farm Bill will require a procedural effort to reconcile the two bills. At the beginning of the month, members of Congress agreed on a group of senators to "conference" the two differing bills together, only for the government shutdown to put the process on hold. Given the absence of a final bill, the possibility of an extension is again being discussed. Programmes such as food stamps, crop insurance, and existing subsidy programmes are likely to continue.

Harnessing innovation for LDC growth

During Geneva's WTO Public Forum on "Expanding Trade through Innovation and the Digital", one session drew special attention to the importance of innovation to Francophone African LDCs' growth and insertion into global trade.

The session, which started with discussion on the complex process of innovation and development, featured the Director of the Economic Francophonie Organisation (OIF), Etienne Alingué, who explained the need for Francophone African countries to integrate an open and defragmented form of innovation into their national policies.

A professor from the University of Yaounde in Cameroon highlighted the lack of connectivity in Africa, as well as the fact that the continent's economy is based mostly on the export of primary commodities and the import of manufactured products.

Referring to the "Asian Tiger" economies, the Ambassador from Burundi, Pierre Claver Ndayiragije, noted that many Asian countries have already succeeded in developing effective innovation policies and subsequently integrating into the global trade economy.

LDCs are marginalized in terms of innovation since their growth has been mainly driven by the boom in commodities price and not innovation. "This type of growth is therefore fragile and not sustainable", said Ndayiragije.

Some factors impeding LDCs access to innovation were identified, for example, the limited exposure to traditional channels for technology diffusion, weak technology absorption capacity, and the lack of resources to retain high quality researchers.

"In the context of Africa, where you do not have that kind of inventiveness, conceiving innovation will not help. Insertion in Global Value Chains is how you capture value!" stated Mauritius Ex-Ambassador Servansing, introducing the case of Mauritius in moving up the value chain through innovation.

The session was co-organized by CUTS International and the Organisation Internationale de la Francophonie and took place from 1 - 3 October in Geneva.

Slow progress on WTO food stockholding talks

Trade negotiators have made slow progress in informal talks on amending WTO rules on food stockholding. Ahead of the global trade body's upcoming ninth ministerial conference in Bali, this December, Delegates moved closer to agreement over how best to make information on subsidised food purchases for stockholding programmes more transparent to other WTO members.

The transparency conditions would apply to countries benefiting from an "interim mechanism" to provide greater flexibility to countries whose subsidised purchases for stockholding programmes could put them at risk of breaching current ceilings on trade-distorting support. The mechanism could take the form of a "peace clause" that would temporarily shield developing country subsidy programmes from legal challenge.

While developed countries fear that the proposed changes could open a loophole for developing countries to provide unlimited amounts of trade-distorting support through their public stockholding programmes, other developing countries are also uneasy about the potential impact of the proposals on their own poor producers.

Informal talks convened by the chair of the agriculture negotiations, New Zealand ambassador John Adank, have led to convergence on possible transparency conditions. Strengthening requirements for WTO members to submit their regular subsidy notifications to the Committee on Agriculture was one option under consideration. Another possibility would be for countries to use as a template a questionnaire prepared by the chair of the agriculture talks earlier this year.

Negotiators were still further apart in discussions over the scope of products that would be covered by the interim mechanism. While some countries had proposed that the mechanism would cover a limited number of staple foods, such as rice and wheat, others argued that a broader basket of products should be covered.

Negotiators are also still trying to define what safeguards could be agreed to limit the trade-distorting effects of subsidised food purchases for stockholding programmes. While some suggested that countries should be required not to export stockpiled food that had been purchased at administered prices, others argued that this was neither practicable nor desirable.

Opponents of the idea said that existing safeguards, such as the WTO's Agreement on Subsidies and Countervailing Measures, should instead prevent countries from causing domestic injury to producers in other countries.

Pretoria emphasises importance of AGOA for SA

This month, South African Trade and Industry Minister, Rob Davies, was in Washington to advocate for South Africa's continued inclusion in the African Growth and Opportunity Act (AGOA).

Set to expire in 2015, AGOA stands as a pillar of the U.S.-Africa trade and commercial relationship by providing about 6500 African products with preferential quotas and duty-free access to the US market.

During his visit, Davies explained that the benefits South Africa derived under AGOA contributed to development not only in the country, but also to the broader African region. Moreover, a failure to extend these benefits would reduce intra-regional trade and undermine economic integration in southern Africa.

"One of our main arguments is that the trade relationship between the US and South Africa is growing...[and] that the trade balance between the two sides is relatively even and it has the kind of features and characteristics of a mutually beneficial trade relationship" stated Davies while corresponding with Engineering News Online.

China reports cooperation with Africa

The Government of China released the "White Paper" on economic and trade cooperation with the African region on 29 August. The document details the nature of bilateral cooperation between Africa and China in various areas agriculture, infrastructure, food security, capacity building etc.

Between 2011 and 2012, China's exports to Africa grew by 16.7 percent and within that percentage, the share of technical products increased. The White Paper reports that the growth in exports was mainly due to the growing consumption capacity of Africa. Similarly, China's imports from Africa also improved. During the same period, the average share of China's import from Africa grew by 21.4 percent. This resulted from China's rising demand in commodities, crude oil and agricultural products. According to the Paper, 30 African Least developed countries have been granted zero-tariff treatment for 60 percent of their exported items since 2012.

In 2012, the total volume of China-Africa trade reached almost US\$ 200 billion representing a year-on-year growth of almost 20 percent.

Publications and resources



G-33 Proposal: Early Agreement on Elements of the Draft Doha Accord to Address Food Security – ICTSD – October 2013

Some developing countries have proposed that WTO rules should be changed to allow them more flexibility to purchase food at subsidised prices under public stockholding or domestic food aid programmes. This short information note looks at how rules, policies and practices in this area can affect trade and food security, in the run-up to the global trade body's ninth ministerial conference this December. <http://bit.ly/17vsx4M>



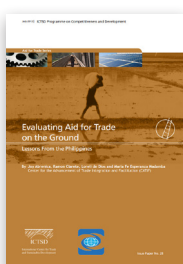
India's Agricultural Trade Policy and Sustainable Development Goals – ICTSD – September 2013

During the last six decades, India has boosted food grain production five-fold, and - despite massive population growth - turned a food deficit into a surplus. This paper examines how India's farm trade policy could help achieve public policy goals such as overcoming poverty, ensuring food security and improving environmental sustainability, against the background of WTO rules and obligations. <http://bit.ly/1eoon3b>



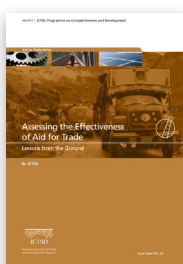
Climate Change and Sustainable Energy Measures in Regional Trade Agreements (RTAs) – ICTSD – August 2013

Regional Trade Agreements (RTAs) are increasingly used for addressing sustainable development goals by including provisions on climate change and sustainable energy. This paper examines that trend and presents an overview of different categories of such provisions in a broad sample of recent RTAs, identifying current regulatory challenges and highlighting obstacles in addressing climate change. <http://bit.ly/18g9WX8>



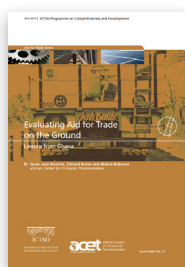
Evaluating Aid for Trade on the Ground: Lessons from the Philippines – ICTSD – July 2013

This study assesses the effectiveness and impact of aid for trade in the Philippines. It argues that the country has performed well in terms of the Paris Principles on Aid Effectiveness. In fact, Philippine institutions have been able to take ownership of the aid for trade initiative, by clearly defining and articulating trade and development strategies and priorities. Trade is mainstreamed into national development planning, and aid for trade programmes and projects constitute an integral instrument of the country's trade strategy. <http://bit.ly/19uU1d3>



Assessing the Effectiveness of Aid for Trade: Lessons from the Ground – ICTSD – July 2013

This paper, as well as the eight country-analyses, offers fresh insights into the dynamics of aid for trade on the ground, the institutional set-up underlying the initiative and its weaknesses. Overall, the findings are not radically different from what has emerged from the more general aid effectiveness debate. In short, aid for trade is likely to be effective when the host country has the appropriate institutions and human resources to utilise aid; when the aid program enjoys broad local ownership, including political ownership; and when donor objectives are aligned with local priorities. <http://bit.ly/12KUGT2>



Evaluating Aid for Trade on the Ground: Lessons from Ghana – ICTSD – July 2013

This study assesses the effectiveness of aid for trade in Ghana. It argues that the impact of aid for trade has been mixed. On the one hand, aid for trade programmes have contributed to mainstreaming trade and tackling some of the existing constraints that hinder Ghanaian exports. On the other, aid for trade has not succeeded in strengthening the absorptive capacity of the local institutions involved in the initiative, which has limited the overall impact of aid for trade. Despite the recent increase in trade, Ghana's exports are still highly concentrated and low in value added. <http://bit.ly/1b3bLwE>



IP Trends in African LDCs and the LDC TRIPS Transition Extension – ICTSD – June 2013

This Policy Brief by Fikremarkos Merse (Addis Ababa University School of Law) provides an overview of the intellectual property landscape in African LDCs, in the context of the current LDC TRIPS extension debate. The brief shows that African LDCs are at different stages with regard to TRIPS implementation and they continue to face immense challenges towards building their technological base, thus their need for continuous flexibility and policy space. <http://bit.ly/1bvvsq>



Cotton: Trends in Global Production, Trade and Policy – ICSTD – June 2013

Regional Trade Agreements (RTAs) are increasingly used for addressing sustainable. After years of negotiations and even a framework resolution to a pivotal trade dispute, cotton still remains a critical concern for countries at the World Trade Organization. However, historically high prices, and evolving trade patterns may change the role of price depressing subsidies provided by developed countries in discussions on the fibre. New legislation in the United States is anticipated to address the WTO dispute with Brazil and is likely to be the single most important policy change to affect the commodity in the near term. This note aims to summarize recent ICTSD research on proposed changes in US policy while offering recommendations based on changes in global production and trade. <http://bit.ly/13WdVZs>



Local Content Requirements and the Renewable Energy Industry - A Good Match? – ICTSD – June 2013

Can local content requirements (LCRs) contribute to more effective sustainable energy policy? In spite of being prohibited by global trade rules, LCRs are on the rise. The authors of this paper suggest that this is perhaps more for political than economic reasons. An examination of the LCRs in two national energy policies provides insights into the drivers of current policies and analysis that will help policymakers understand key economic variables in designing effective sustainable energy policy. As a valuable piece of research, it has the potential of informing innovative policy responses on sustainable energy trade initiatives and will be a valuable reference tool for policymakers involved with LCRs as well as trade negotiators. <http://bit.ly/13iNqgB>

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