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PREFERENTIAL AGREEMENTS

Japan Gets TPP Invite, As APEC Calls for Faster WTO Talks

The eleven countries currently negotiating the Trans-Pacific Partnership (TPP) Agreement formally invited Japan into their ranks this weekend, pending the conclusion of their respective domestic procedures. The news of Tokyo's invite comes just over a month after Japanese Prime Minister Shinzo Abe announced that his country would be pursuing a seat at the table in the trans-Pacific negotiations.

Tokyo's membership likely to take effect by July, officials say

The decision to invite Japan into the 11-country talks took centre stage during last weekend's meeting of TPP officials, which occurred on the margins of the Asia-Pacific Economic Cooperation (APEC) trade ministers' gathering in Surabaya, Indonesia.

In their [announcement](#) on Saturday, TPP ministers stressed that the process of formalising Japan's entry will be conducted "in a manner that allows the negotiations to continue expeditiously toward conclusion." The 11 countries currently negotiating the so-called "21st-century" agreement are aiming to finalise talks by the end of this year – possibly even in time for the APEC Leaders' Summit in October.

Tokyo will officially be able to take part in the negotiations once all current members have concluded any necessary domestic procedures. In the US, for instance, the Obama Administration must formally notify Congress and then allow for a 90-day period. Officials have said that they hope Japan's membership will be in effect by July.

The entry of Japan into the negotiations will mean that the trans-Pacific pact would – when completed – cover 40 percent of global GDP, a fact that various TPP ministers stressed in their remarks.

"The TPP membership was already robust, presenting economic opportunities for the United States and every member country, and the addition of Japan increases its significance and its potential across the board," Acting US Trade Representative Demetrios Marantis [said](#) on Sunday.

While an invite for the Asian economic powerhouse came as little surprise – particularly after Washington's announcement earlier this month that it had finished consultations with Tokyo – early reports from the summit had shown that some TPP members, such as Canada, still had their doubts. (See Bridges Weekly, [18 April 2013](#))



International Centre for Trade
and Sustainable Development

However, Ottawa ultimately announced on Saturday that it was ready to approve Japan's entry into the group, having finished its own discussions with the Asian country.

The next round of TPP negotiations will be held from 15-24 May, in Lima, Peru. At that meeting, negotiators will be expected to complete their work on some chapters, while speeding up their work on some of the more difficult topics, ministers said. These will include, among others, intellectual property, state-owned enterprises, environmental issues, and market access for goods, services, investment, and government procurement.

The eleven members of the TPP include Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the US, and Vietnam.

The TPP has been touted by its supporters as a possible model for a broader free trade area of the Asia-Pacific; however, other concurrent efforts at negotiating regional deals that could eventually include all APEC countries are also underway.

For instance, last November a group of 16 countries – including all ten members of the Association of Southeast Asian Nations, as well as China – announced they were planning talks for another trade pact, known as the Regional Comprehensive Economic Partnership (RCEP). (See Bridges Weekly, [21 November 2012](#))

That group – which also includes some members of the TPP – is expected to launch their first round of negotiations next month, according to Agence France Presse.

APEC trade ministers call for WTO results by December

The news of Japan's TPP invite came just as trade ministers from the 21 Asia-Pacific Economic Cooperation (APEC) countries – a list that includes the TPP economies – issued a call to WTO members to intensify efforts at concluding a Doha Round mini-package in time for the global trade body's Ninth Ministerial Conference (MC9) in December.

WTO members are currently trying to extract a small set of deliverables – including a trade facilitation agreement, and some provisions relating agriculture and to developing and least developed countries – from the stalled Doha Round in time for the ministerial.

In a statement on Saturday, APEC officials said that the current pace of WTO negotiations is not fast enough to ensure success at the upcoming ministerial conference, which will be held on the Indonesian island of Bali later this year. Their comments broadly echoed fears stated by the global trade body's outgoing Director-General, Pascal Lamy, earlier this month, when he warned WTO members that "rapid acceleration and real negotiations" are vital in order to prevent failure at the December meeting. (See Bridges Weekly, [18 April 2013](#))

"There is broad convergence of views that the negotiation as it stands now is not on course to lead to a successful outcome at MC9 on 3-6 December in Bali," the APEC ministers [said](#). "We are deeply concerned about the state of play in the negotiations and we call on WTO members to change the quality and level of engagement in order to expeditiously and effectively advance our work."

An outcome at the December ministerial conference, however, should not mark the end of the Doha Round talks, they said – but rather serve just a stepping stone toward that goal.

The APEC ministers also urged that the talks to expand the product coverage in the WTO's Information Technology Agreement (ITA) – a plurilateral pact that covers trade in information and communication technology products – be concluded by the middle of this year. Members negotiating the expansion of the ITA have recently said that they hope to have a list of products to add to the nearly two-decades-old agreement by summer. (See Bridges Weekly, [27 March 2013](#))

ICTSD reporting; "Japan wins spot in Asia-Pacific mega trade bloc talks," AFP, 20 April 2013; "Japan Joins Talks to Form Free-Trade Bloc," THE WALL STREET JOURNAL, 20 April 2013; "Asia-Pacific countries poised to start free-trade talks," AFP, 23 April 2013.

WORLD TRADE ORGANIZATION

SPECIAL UPDATE: Blanco, Azevêdo Final Contenders in WTO Leadership Race

[Editor's Note: This special news update was published on Friday 26 April at 8:00 PM CET. More details will be made available in the next edition of Bridges Weekly, on 2 May.]

WTO officials today formally announced that Herminio Blanco of Mexico and Roberto Carvalho de Azevêdo of Brazil have attracted enough support to advance to the third - and final - round of the organisation's leadership contest. The race to succeed WTO Director-General Pascal Lamy, who will be stepping down from his post at the end of August, is expected to conclude by the end of May.

The news - which broke unofficially yesterday, and was formally announced by the WTO this afternoon - came following a weeklong "consultations" round, hosted by the chairs of the General Council, Dispute Settlement Body, and Trade Policy Review Body. These three ambassadors, known collectively as the "troika," are Shahid Bashir of Pakistan, Jonathan Fried of Canada, and Joakim Reiter of Sweden, respectively.

Members were asked in this round to name two candidates, without any ranking, as their preferences in private meetings with the troika. Along with Blanco and Azevêdo, the three other candidates being considered in this round included Taeho Bark of Korea, Tim Groser of New Zealand, and Mari Pangestu of Indonesia.

These "confessionals" were conducted on a confidential basis. Candidates receiving the least support are expected to withdraw their names from consideration. Their governments were notified last night to that effect.

In his statement to the General Council today, Bashir noted that nearly all of the 158 members that took part in this round of consultations provided the two preferences asked for, with only three deviating from this procedure. "These very few deviations did not affect the result of the consultations at all," he stressed.

The previous round of consultations had sparked some controversy among the membership, after Kenya formally complained over the fact that some members stated more preferences than what the troika had asked for.

The final round of consultations will begin on Wednesday 1 May, and conclude on Tuesday 7 May. Members will be asked to state one preference in this round, in the goal of finding a candidate around which the organisation can build a consensus. The troika is expected to announce the results the following day, on Wednesday 8 May.

From nine to two

The high-profile race had originally kicked off with nine candidates, four of which were eliminated in a previous round of consultations. Those four included two African candidates - Amina Mohamed of Kenya and Alan Kyerematen of Ghana - as well as Jordan's Ahmad Thougan Hindawi and Costa Rica's Anabel González. (See Bridges Weekly, [18 April 2013](#))

Speculation has been rife in Geneva as to who might get the WTO position, and what factors - such as what leadership roles their region has at other international organisations, or their views on matters of trade policy, among others - might play a role in their selection. Latin America is one of only two regions never to have had the organisation's top position, with the other region being Africa.

The next Director-General will take office on 1 September - just three months before the WTO's Ninth Ministerial Conference in the Indonesian province of Bali. WTO members are aiming to clinch a small package of deliverables from the Doha Round negotiations in time for the Bali gathering, which - if accomplished - would mark the first major advance in the 12-year-old talks in several years.

WTO future in focus

The change in WTO leadership is the first such transition since Lamy took office in 2005, and comes at a time when many are questioning the future path of the organisation. Questions over how to break the deadlock in the Doha Round negotiations and how - and whether - the WTO should respond to the so-called "new issues," such as food security and climate change, have been a constant source of discussion in Geneva.

In this context, trade observers have been watching to see what vision a new global trade chief might have for the organisation's upcoming years. In "Global Challenges and the Future of the WTO: Views from the Candidates Beyond the Hype of the DG Race" - a [publication](#) released yesterday by Bridges' publisher, ICTSD - Azevêdo outlined some of his views on what needs to come next for the 159-member body. "We are approaching two full decades of stagnation on the negotiating front," he said. "The system must be updated or it will soon become incapable of dealing with the demands of today's changed world."

The timing is currently right for such an update, he explained, beginning with this December's ministerial gathering. A successful "early harvest" would provide both "very tangible material gains," along with boosting confidence in members' ability to work with one another and achieve results.

He qualified, however, that "we all need to believe that any Bali outcomes will not be the end of the road." Solution to the Doha Round, and various non-Doha issues, must be examined by the membership, he added, noting that a post-Bali process "must, however, prioritise the issues of interest to the poorest countries."

"We cannot throw away the development agenda that was strenuously negotiated to ensure delivery to the poorest and most vulnerable members of this organisation. We can't turn the page and leave them behind," he said.

In a similar vein, Herminio Blanco in an interview published today in the Wall Street Journal, was also asked about his basic vision for the organisation and what changes might be needed in the coming years.

Referring to the proliferation of preferential trade agreements - particularly "mega-deals," such as the ongoing Trans-Pacific Partnership negotiations, or the planned EU-US trade talks - he stressed that the WTO will need to make some "systemic" changes in order to remain relevant, particularly given that the organisation's current rules date back nearly two decades.

"To think that the relation between the WTO and these kinds of agreements can keep on being one of just regulating - and if you look at the WTO 10 years from now doing the same - then the doubts of the relevancy of the WTO are major," he said.

"So you have these just massive agreements with new rules, much liberalisation, and you have this WTO that is regulating them. Small WTO, big guys," he explained. "So unless you do something systemic - and this discussion among members takes on very difficult and sometimes emotional aspects - unless we have a mechanism to systemically relate them, and I would go a little bit further, systemically learn from these agreements, the WTO will become irrelevant."

Previous experience

Azevêdo has spent the past five years as his country's ambassador to the WTO, also representing Brazil in front of the World Intellectual Property Organization, the UN Conference on Trade and Development, and the International Telecommunications Union.

Prior to that, he was posted in Brasilia as his country's Vice Minister for Economic and Technological Affairs, serving as Brazil's chief Doha Round negotiator and supervising trade talks conducted under the South American customs union Mercosur.

Blanco is a former Mexican trade minister, having been his country's chief negotiator during the talks to set up the North American Free Trade Agreement (NAFTA) and leading Mexico's participation in the Uruguay Round that established the WTO. Blanco has spent most of his years since then in the private sector, advising governments, corporations, and international organisations.

ICTSD reporting; "Mexico's Candidate for WTO Urges Shake-Up," WALL STREET JOURNAL, 25 April 2013.

PREFERENTIAL AGREEMENTS

"Cultural Exception" Proves Early Sticking Point in EU-US Pact Preparations

Fears that Brussels' planned negotiations with Washington on a bilateral trade and investment pact could lead to the loss of the controversial "cultural exception" has fuelled debate among EU trade officials this past week, with France being one of the most vocal in stressing the need for preserving the policy.

France will not allow any bilateral negotiations to move forward unless it is clear that the cultural exception is off the table, trade minister Nicole Bricq warned last week.

"The position of France is that we want exclusion from discussion of cultural items. This is non-negotiable," Bricq said. "This is a sine qua non condition for our country."

Some trade officials from other EU members, however, have reportedly cautioned that outlining any "non-negotiables" too early on in the process – such as in audiovisual goods and services – could lead Washington to ask for some hard concessions of its own in return.

Bricq's comments came following an informal meeting of the EU Trade Council – made up of the bloc's trade ministers – in Dublin on Thursday, where officials reportedly discussed a range of issues and concerns related to the planned negotiations. The meeting comes after the European Commission submitted a draft mandate for the talks to the European Council for its approval. (See Bridges Weekly, [13 March 2013](#))

The so-called "cultural exception" rule involves the exclusion of audiovisual goods and services from some trade disciplines, on the grounds that cultural goods and services are different from other products. This exclusion allows, for instance, for some subsidies, quotas, and other measures to support domestic cultural products. France has long been a proponent of maintaining the cultural exception, being one of its main advocates during the Uruguay Round of trade talks that established the WTO.

Paris was also one of the main sponsors of the 2005 UN Educational, Scientific and Cultural Organisation's (UNESCO) Convention on the Protection and Promotion of the Diversity of Cultural Expressions – a global treaty on the protection of cultural diversity. The US had, at the time, opposed the treaty out of concern that it could slow the free flow of ideas and could be used to impose arbitrary trade barriers. (See Bridges Weekly, [26 October 2005](#))

Audiovisual media accounts for one million jobs across the 27 EU member states, [according](#) to the European Commission.

De Gucht: Cultural exception will not be at risk

The discussions among the bloc's trade ministers ultimately led to the EU's top trade official to stress that the cultural exception would not be on the table when Brussels begins its negotiations with its American partner.

"Europe will not put its cultural exception at risk through trade negotiations," EU Trade Commissioner Karel De Gucht [said](#) on Monday, adding that nothing in the planned talks with Washington would jeopardise the bloc's "cultural diversity."

"I want to be clear that the EU will maintain this long-held position in its negotiations with the United States. Put simply – that means the cultural exception will not be negotiated," the EU trade chief continued. "However, what we will do is to open up new opportunities for Europe's creative industries of the future, without compromising the choices of our society nor the pride we have for our culture."

Additional details of what might be covered in a Brussels-Washington pact have emerged in the past weeks, with recent reports noting that financial services are a priority for both the US and the UK. Public procurement is also likely to be a touchy subject, after Bricq said on Tuesday that France and at least one other EU member state want to have defence excluded from the talks due to the closed nature of the US market in this area.

Next steps

Dates that have been floated as important milestones ahead of the negotiations' planned summer launch include a June meeting of EU officials, as well as the upcoming Group of Eight summit that same month.

Ireland – which is the current holder of the six-month rotating EU presidency – has stressed that it hopes that the launch be conducted during its tenure, which also ends in June. Dublin has called the bilateral talks a priority of its presidency. (See Bridges Weekly, [16 January 2013](#))

ICTSD reporting; "EU trade chief says free trade agreement with US should be wrapped up by October next year," ASSOCIATED PRESS, 18 April 2013; "France threatens to block start of EU/U.S. free trade talks," 18 April 2013; "U.S., UK want financial services as part of trade pact," REUTERS, 18 April 2013; "France wants defense off table in EU-U.S. trade talks," AFP, 22 April 2013.

WORLD TRADE ORGANIZATION

WTO Stakeholder Panel Outlines Future Trade Challenges

Governments are facing a series of "convergence challenges" on the future of the international trading system, according to a [report](#) issued on Wednesday by a 12-member panel convened by WTO Director-General Pascal Lamy.

The report – which was issued under the Director-General's own responsibility – marked the conclusion of a process that was announced at the global trade body's 2011 ministerial conference. The panel that prepared the report was made up of [12 members](#) from the business sector and civil society, and had been tasked with identifying 21st century trade challenges.

"The greatest value, in my view, of this report is precisely in the people that have contributed to it," Lamy said at the report's launch on Wednesday. "It should not be dismissed without serious consideration since it reflects the experience and expertise of 12 tremendous professionals of different backgrounds, different continents, and different expertise but who have in common their strong support for cooperation over conflict, and for a rules-based system over the rules of the jungle."

The report – which takes a medium to long-term view of the trading system's challenges – provides "food for thought" for both WTO members and other stakeholders, the Director-General told a packed conference room at the organisation's headquarters in Geneva.

The 40-page document is divided into three chapters: one on the state of trade and its contributions to growth and development; the second on the "transformational factors" of the current global economy that have, in turn, shaped trade; and a third on the panel's recommendations for potential action.

Trade as "means, not end"

The first section of the report outlines why opening up trade can have positive impacts on welfare, in the context of growing concerns over issues of fairness, income distribution, and social justice, among other topics.

"The legitimacy of the market-based system will be increasingly questioned if the benefits of progress are not more equitably shared," the report said. However, panellists stressed that trade is part of a larger context, and cannot be the only policy in achieving inclusive growth and promoting welfare. Their review focuses, specifically, on trade with regard to development, investment, job creation, and sustainable development, and the benefits and risks inherent in these relationships.

"No single policy is good for human welfare by itself," former President of Botswana Festus Mogae, one of the panellists, said on Wednesday in explaining the panel's views. "We said trade *can* support more jobs, trade *can* be made to work for greater equality. That's because, nowadays, we are concerned about jobless growth, so we want inclusive development."

"With this wording – *can* - we acknowledge that this is contextual," he said. "[Trade] can [achieve these goals], but not necessarily. That's why later we talk about convergence."

The panel ultimately stressed in its report that trade is a means, not "an end in itself," and that issues such as development, unemployment, and inequality cannot be "neglected or set aside in the drive for prosperity at the national level."

"Transformational" factors

The world in which trade operates is also changing rapidly, the panellists noted, such as with the rise of global value chains, the increase in preferential trade agreements, and the growing use of non-tariff measures.

"Globalisation has made our world more robust in some ways and more fragile in others," the report noted. Trade has increased rapidly over the past several decades, and emerging and developing economies are playing a greater role in international trade and investment. Technology, the report stressed, is another key driver of the globalisation seen in recent years, and a major contributor to the increase in global value chains.

The panellists also cautioned that the expansion of preferential trade agreements carries risks, such as regulatory divergence and increases in costs, though there is the potential for benefits as well. Over 300 preferential trade agreements are currently in effect, according to WTO [figures](#), with several more currently under negotiation.

"Governments need to ask themselves if there are good reasons why the fundamental logic of non-discrimination – a cornerstone of post-war trade governance – no longer serves a useful purpose," the panel said.

Keeping track of all the current and new preferential trade deals poses "a real challenge for small and medium-sized companies," panellist Jürgen Thumann - President of BusinessEurope, which represents business federations from 35 countries – said on Wednesday.

Non-tariff measures (NTMs), meanwhile, are "increasingly associated with public policy objectives," the report noted, such as health, safety, or environmental quality. "The trade policy challenge in this context, however, is to ensure that NTMs do not unnecessarily truncate the benefits of trade."

Recommendations

The report does not make specific recommendations on how to address the long-running Doha Round of trade talks, which were declared at an impasse in December 2011. However, the panellists noted that the current difficulties causing the stall will not disappear. "Circumstances and interests may have changed, but not the basic challenges," they said, adding that bringing the talks to a close remains a "political imperative."

"This report is not about a quick fix to conclude the Doha Round. That is not the intention," Lamy stressed in his remarks. The panellists' views, however, could help "in unlocking the Doha Round by providing a perspective on the multilateral trading system."

The recommendations that the panel has prepared for WTO members focus instead on the areas of non-discrimination, transparency, and the relationship between flexibility and reciprocity.

For instance, the panellists urged that "permitted departures" from the WTO's principle of non-discrimination, such as the establishment of preferential trade deals, or in helping poorer countries in achieving development goals, should be regulated and monitored.

They recommended, therefore, that members explore ways that preferential deals and the principles underlying them be brought into the multilateral trading system in some

manner, which could eventually lead to “consolidation around binding rules in agreed policy areas.”

The report also emphasises the need for increased transparency, particularly through greater domestic dialogue among interested parties, and more willingness on behalf of governments in advising trading partners in the development of policies and in providing policy data.

In addition, the report calls for “fresh thinking” with regards to the relationship between flexibility and reciprocity, referring specifically to the subject of special and differential treatment (S&DT) for developing countries. For instance, the panel outlines four guiding principles with regard to flexibility, such as making flexibilities time-specific and basing these on needs and capacities.

Members should also take a “two-stage approach” in finding a balance between flexibility and reciprocity, the panellists said, with the first step involving the recognition of “progressive convergence” and the latter involving the “negotiation of its elements.”

Panellists also call for the strengthening of the WTO secretariat, noting that – among other changes – it should become proactive in submitting proposals in order to speed up the membership’s negotiations.

The 12-person group also noted that there should be more avenues for interacting with stakeholders, along with the WTO’s annual Public Forum. “I think this organisation – to really, truly, be a world trade organisation, it needs a place for the trader. It’s not enough to have a one-year event,” Talal Abu-Ghazaleh of the Jordan-based Talal Abu-Ghazaleh Overseas Corporation said on Wednesday.

“You can’t have a trading system in isolation from the producers of wealth [business]... and civil society,” Sharan Burrow of the International Trade Union Confederation added.

In its deliberations ahead of the report launch, the panel also discussed a series of issues that the WTO should consider and deliberate – though not necessarily negotiate. These included issues directly linked to existing WTO rules, such as subsidies, export restrictions, trade facilitation and the digital economy. They could also include various other topics that might also be relevant to the organisation, such as climate change, labour, currency, and international investment.

Need for convergence

The report concludes by outlining a four-pronged “convergence challenge” that governments will have to face.

These four challenges include convergence among members, specifically regarding WTO negotiations; convergence of non-multilateral trade regimes with the multilateral system; convergence between trade and domestic policies; and convergence between trade and public policy non-tariff measures.

“In all these endeavours, the WTO must seek out complementary and mutually supporting initiatives, including in cooperation with other international agencies and non-governmental actors,” the report said.

However, while convergence is key, some of the panellists stressed on Wednesday that this should not be “convergence at any cost.”

“You can’t have a just world if the policy space is not there to allow people to converge at their own pace,” Burrow said.

"The thrust of this report is on coherence," Pradeep Mehta of CUTS International said, even more so than on convergence, given the difficulties in finding convergence among policies. "Coherence is more important."

More information

Along with Abu-Ghazaleh, Burrow, Thumann, Mehta, Mogae, and Thumann, the panel also included six other members.

These were UN Development Programme Administrator Helen Clark; Embraer S.A. President and CEO Frederico Fleury Curado of Brazil; Thomas Donohue, President and CEO of the US Chamber of Commerce; Yoshiaki Fujimori, President and CEO of LIXIL Group Corporation and LIXIL Corporation in Japan; Victor Fung, Chairman of the Fung Global Institute in Hong Kong and Honorary Chairman of the International Chamber of Commerce; Josette Sheeran, Vice Chairman of the World Economic Forum; and George Yeo, former Foreign Minister of Singapore and Vice Chairman of the Hong-Kong based Kerry Group Limited.

ICTSD reporting.

INTELLECTUAL PROPERTY

WIPO Draft Treaty for Visually Impaired in Final Stages, Though Difficult Issues Remain

Members of the World Intellectual Property Organization (WIPO) have made their last adjustments to a draft treaty on copyright limitations and exceptions for the visually impaired and print disabled, officials announced last week. However, sources say, some key issues still remain unresolved, with less than two months to go before the UN body begins negotiating the final version of the treaty.

The draft [text](#) was finalised at an informal session of the organisation's Standing Committee on Copyright and Related Rights (SCCR), and will form the basis for discussion at a diplomatic conference – the highest level of negotiations at WIPO – to be held in Marrakesh from 17-28 June.

Previous discussions had settled some contested issues, such as the planned treaty's definitions of beneficiaries and of "authorised entities" – in other words, those that will be allowed to make, obtain, and supply accessible format copies of works for visually impaired and print disabled persons.

However, the latest draft still contains various brackets – a fact that Morocco, which will be hosting the June conference, highlighted during last week's meetings. Egypt and the Group of Latin American and Caribbean countries (GRULAC) echoed this concern.

Other countries, however, reportedly took a more optimistic stance. "I am very happy," Indian delegate G.R. Raghavender said during the negotiations.

"This time the theme of access to publications for visually impaired people has been prioritised over discussions on the three-step test," Raghavender explained, referring to a provision that sets the boundaries for exceptions and limitations on copyrighted material.

No consensus on cross-border exchange, commercial availability

One of the major unresolved issues on the table involves the modalities of a cross-border exchange mechanism, which would regulate the international flow of accessible format copies across signatory countries.

Copyright holders – particularly publishers – fear that excessive flexibility within the mechanism would result in accessible format copies being used by readers and then re-sold to developed country markets, thus putting at risk their existing business models.

WIPO members also sparred over the issue of "commercial availability" clauses, which require authorised entities to make sure that there are no commercially available copies of the accessible works in the market prior to importing them.

"The negotiators have spent considerable time talking about the concept of commercial availability when, in practice, there is no reason why an authorised entity would spend its limited resources to duplicate works in formats that already exist," the World Blind Union (WBU) [commented](#) during the session.

Three-step-test sparks debate

Delegates also reopened the issue of the three-step test during last week's discussions, which had previously appeared closed. The concept dates back to the Berne Convention for the Protection of Literary and Artistic Works and is included in WTO's Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) and the more recent Beijing Audiovisual Performances Treaty.

The three-step test has been controversial in international negotiations and in national legislations. At the February session of the SCCR, members appeared to have reached a compromise on the issue with a provision that establishes the responsibility for contracting parties not to derogate from their existing obligations; specific references to the sections in other copyright-related treaties that refer to the three-step test were included. (See Bridges Weekly [27 February 2013](#)) As of last week, the issue remained unresolved.

The debate also brought up a larger question of how this new treaty would apply to members that are not signatories of other agreements such as the Berne Convention, TRIPS, or the WIPO Copyright Treaty.

Stakeholders react

In a Huffington Post piece, James Love of Knowledge Ecology International (KEI) criticised the Obama Administration for allegedly yielding to the demands of the Motion Picture Association of America (MPAA) to "include changes that further restrict the use of exceptions, and which impose new risks for non-profit libraries for the blind that use the treaty."

Chris Dodd, CEO of the MPAA, rebutted the accusation. "Some groups have sought to use this meaningful treaty as a vehicle to weaken copyright and ultimately undermine the global marketplace WIPO is charged with strengthening," Dodd said.

Meanwhile, Fredrick Schroeder, First Vice President of the WBU, has urged negotiators to redirect their efforts towards tackling the "book famine," rather than using a "document that gives exceptions to reaffirm already existing copyright holders' protection."

ICTSD reporting; "WIPO Members Send Draft Treaty For The Blind To Marrakesh," IP WATCH, 22 April 2013; "Disney, Viacom and Other MPAA Members Join Book Publishers to Weaken a Treaty for the Blind," HUFFINGTON POST, 23 April 2013.

GLOBAL ECONOMIC CRISIS

Global Recovery, Poverty Reduction Dominate IMF-World Bank Meetings

Sobering trade and global growth estimates require a switch from a "three-speed recovery" to a full-speed one, top officials at the International Monetary Fund (IMF) and World Bank Spring Meetings said last week. Along with noting that a mix of policies would be needed to support this change – and that monetary policy alone is insufficient in solving the struggles of Japan and other developed economies – another major outcome of the high-profile gathering was the endorsement of a World Bank goal to end extreme poverty by 2030.

The IMF-World Bank Spring Meetings are the first of two major meetings that the Bretton Woods institutions hold every year that bring together the International Monetary and Financial Committee – the policy-setting body of the IMF, which represents the institution's 188 member countries – and the joint World Bank/IMF Development Committee. Members were typically represented by finance ministers and central bank governors.

Various groups of members, such as the Group of 20 major developed and emerging economies, also held their own meetings on the event sidelines.

Accommodative monetary policy not the only solution, IMFC says

The world needs to move past its current "three-speed recovery" – where some countries are doing well, others are improving, and some still have much room for improvement – IMF Managing Director Christine Lagarde [said](#) last week. The news came as the IMF released its latest global growth estimates in its biennial [World Economic Outlook](#), finding levels broadly unchanged from 2012.

"The three-speed recovery is not enough and what we need is a full-speed global economy – growth that is solid, sustainable, balanced, but also inclusive and very much rooted in green development," Lagarde said. The first group includes emerging and developing economies, while the second includes the US, along with others such as Switzerland and Sweden. The euro area and Japan, however, "still have a distance to travel."

Japan's particular efforts in the area of monetary easing have dominated news headlines since Prime Minister Shinzo Abe directed the country's central bank to direct its efforts at hitting a two percent inflation rate in order to combat a decade's worth of deflation. The move has prompted fear – particularly among emerging economies such as Brazil – of a possible global "currency war," in which economies devalue their currencies to gain export advantages.

Tokyo, along with other developed economies that have taken similar measures, such as Brussels and Washington, has stressed that the policies are aimed at domestic purposes – not at making its currency and exports more competitive. Many policy observers had been watching the IMF meeting to see what stance the institution might take on the subject.

While Japan's policies in this area have been a "positive step," Lagarde [said](#) this weekend, monetary measures are not enough. "Japan needs more ambitious plans to bring down debt, plus structural reforms to shift the economy into higher gear," she said. "That is the

whole plan behind these three arrows, [the] policy mix which the prime minister has described, and we are certainly keen to see the other two arrows in action."

The IMFC agreed with this assessment in its final [communiqué](#), noting that accommodative monetary policies should be accompanied by medium-term fiscal consolidation plans, as well as structural and financial sector reforms. Such measures would help ensure that the potential impacts of monetary easing are contained, the IMFC explained.

"There was also a strong and common recognition that achieving growth and jobs cannot rest on one policy alone," Singapore Finance Minister Tharman Shanmugaratnam, who chaired the IMFC meeting, [said](#).

The IMFC's recommendations were not only limited to advanced economies. Emerging and developing countries should work toward "rebuild[ing] buffers and guard[ing] against financial vulnerabilities." Poorer countries, meanwhile, should focus on "replenishing policy buffers while addressing pressing infrastructure and social needs."

Finance ministers and central bank governors of the Group of 20 major developed and emerging economies also met this weekend, repeating earlier pledges to refrain from competitive currency devaluations. Notably, they also said they would be "mindful of unintended negative side effects stemming from extended periods of monetary easing," in an apparent recognition of the ongoing debate regarding a possible global currency war.

World Bank aims for "end of extreme poverty" by 2030

Meanwhile, the Development Committee – which acts as a ministerial-level forum for both institutions – [endorsed](#) the World Bank Group's goal of reducing the percentage of people living on less than US\$1.25 a day to three percent by 2030.

The committee also endorsed the goal of promoting "shared prosperity" – in this case, assisting in the income growth of each country's bottom 40 percent.

"I have no doubt that the world could end extreme poverty within a generation, but this will be much harder than most people realise," World Bank President Jim Yong Kim [said](#) in his opening press conference last week. "But if we succeed, we will have accomplished one of humankind's most historic accomplishments."

The news comes as the international community evaluates what goals to set for a "post-development agenda" after the Millennium Development Goals (MDGs) expire in 2015. A high-level panel established by UN Secretary-General Ban Ki-Moon is expected to release a report regarding this possible post-2015 global framework next month. (See Bridges Weekly, [11 April 2013](#))

The Development Committee also spoke on the topic of climate change, encouraging both institutions to "provide support to countries that want to catalyse low-carbon growth and climate resilience in cities; scale up efforts towards climate-smart agriculture; and rationalise and phase out inefficient fossil fuel subsidies that encourage wasteful consumption, with due regard to affordability of energy for the poor."

ICTSD reporting.

AGRICULTURE

Brasilia: Farm Subsidy Growth Not Distorting Trade

Brazil's rising farm subsidies mostly do not cause substantial trade distortion, suggest new figures from the government's report to the WTO.

The data, released yesterday and covering farm support in 2009-10, indicates that total Brazilian farm support was double the level that was seen three years prior, and had reached a high of US\$10 billion.

However, only about a third of total support is considered trade-distorting under WTO rules, or about US\$3.5 billion. Of this, most – US\$3.2 billion – falls within the country's 'de minimis' allowance - which for developing countries should represent less than ten percent of the country's value of production.

Just over US\$269 million was provided in farm payments that count towards the country's "amber box" ceiling for trade-distorting support, Brasilia claimed – all of which resulted from product-specific subsidies for cotton.

Mushrooming domestic food aid

At US\$4.9 billion, around half of Brazil's total farm subsidies were classified as "green box" payments - which under WTO rules should not cause more than minimal trade distortion.

Domestic food aid represented a large share of this at over US\$1.7 billion, while a separate programme for public food stockholding accounted for another US\$653 million.

Spending in both categories jumped dramatically in the previous few years, with domestic food aid more than double the levels reported for two years beforehand, and public stockholding nearly triple.

Negotiators in Geneva are currently divided over whether current rules on public stockholding should be changed to allow governments to provide unlimited market price support to low-income, resource-poor producers, under a new proposal from the G-33 group of developing countries. (See Bridges Weekly, [27 March 2013](#))

Infrastructure spending: ten-fold growth

The largest category of green box support was for "general services" - programmes such as extension and advisory services for farmers, infrastructure, agrarian reform, or research – which totalled US\$2.3 billion according to the government's figures.

However, the data shows that some categories of farm spending have declined, while others grew dramatically in previous years.

Infrastructure spending grew from US\$60 million in 2006-07 to US\$622 million three years later, while research spending tripled over the same period to US\$284 million. Support for pest and disease control increased more than three-fold, to US\$114 million.

There was also a seven-fold growth in spending on extension and advisory services, which at US\$799 million represented the largest sub-category of general services support.

Payments for “general services” in agriculture are mostly seen as relatively uncontroversial by WTO members in comparison with other types of domestic support that have a more substantial impact on trade and production.

Double support for low-income, resource-poor producers

The new figures show that Brazil doubled the amount of input and investment subsidies for low-income, resource-poor producers under a special clause available only to developing countries.

Spending in this category grew from US\$871 million in 2008-09 to US\$1.651 billion a year later, according to the government's official notification.

Most of the spending - US\$1.443 billion - was provided as investment credit as part of government-subsidised funds for agricultural investment, the figures reveal.

While some developing countries such as India have made more extensive use of this provision, others, such as China, have relied on it less. (See Bridges Weekly, [19 October 2011](#) and [15 June 2011](#))

WTO rules set no upper ceiling on the amount of permitted farm support that can be provided to producers in this category.

A wider trend?

Other large developing countries such as China and India have also reported increased farm spending in their most recent notifications. (See Bridges Weekly, [19 October 2011](#) and [15 June 2011](#), respectively)

However, like Brazil, they too have indicated that this support mostly causes no more than minimal trade distortion under WTO rules.

Developed country members that subsidise their farm sectors – such as the US and EU – have also reported that their growing farm subsidies are increasingly de-coupled from production and trade. (See Bridges Weekly, [3 October 2012](#) and [28 November 2012](#), respectively)

More information

Brazil's complete farm subsidy [notification](#) to the WTO is online as G/AG/N/BRA/30 at <http://docs.wto.org/>.

ICTSD reporting.

IN BRIEF

Australia, China Downsize Planned Trade Pact, Official Says

Canberra will no longer seek a comprehensive free trade agreement with Beijing, Australian Trade Minister Craig Emerson said last week. The two sides will instead pursue a deal focused primarily on agriculture, he explained.

The nearly decade-long talks hit their latest setback after Australia reportedly would not exempt China's state-owned enterprises from undergoing an approval process under the Foreign Investment Review Board when making investments under AUS\$1 billion. Emerson said his country could not agree to such terms because it would be rejected domestically.

However, Australian Prime Minister Julia Gillard told Chinese media she remains optimistic that the two sides will reach some sort of deal, while conceding that negotiations remain "sensitive."

[According](#) to the Australian Department of Foreign Affairs and Trade, China is currently Australia's largest two-way trading partner, with bilateral trade reaching AUS\$121 billion in 2011.

ICTSD reporting; "Australia gives up on full free trade agreement with China," ABC RURAL, 19 April 2013; "China FTA talks are 'sensitive': Gillard," THE AGE, 20 April 2013.

Brussels: First Round of EU-Japan Trade Talks a "Success"

Trade representatives from the EU and Japan met in Brussels last week to conduct their first round of negotiations for a bilateral trade agreement, which were launched less than a month ago. ([See Bridges Weekly, 27 March 2013](#))

"It's been a good start," Mauro Petriccione of the European Commission's Directorate General for Trade [said](#), highlighting the progress made in this initial round.

Trade negotiations are expected to take some time as the two sides navigate through their differences. Non-tariff measures, particularly regarding automobiles, have long been a sticking-point between Brussels and Tokyo, and are expected to be a major topic of discussion while also focusing on encouraging foreign direct investment.

According to a Commission [report](#), the completion of a trade deal with Japan would result in the creation of 400,000 jobs in the bloc's economy, along with a 0.6-0.8 percent growth of GDP. Japan is currently the EU's seventh largest trading partner, and second largest in Asia. The next round of negotiations will take place in Tokyo in June.

ICTSD reporting.

Paraguay Aims for Mercosur Return

Paraguay is aiming for readmission into the South American customs union Mercosur, officials say, after having held presidential elections earlier this month. The country had been suspended from the bloc by its fellow Mercosur members after the Paraguayan Senate's impeachment of President Fernando Lugo last year.

New President-elect Horacio Cartes has stated that he will work to reinstate Paraguay as a full member of the bloc, telling reporters last week that it "would be utterly nonsense" for Asunción to abandon Mercosur.

Following Paraguay's suspension, the three full members of Mercosur - Argentina, Brazil, and Uruguay - approved the accession of Venezuela, a move blocked by the Paraguayan Senate since 2006. Observers will also be watching to see if the new Paraguayan Senate will drop its congressional opposition to the incorporation of Caracas – a move that Brazil has called necessary for Asunción's re-entry into the bloc.

ICTSD reporting; "Cartes pledges allegiance to Mercosur: abandoning it 'would be utterly nonsense'," MERCOPRESS, 23 April 2013; "Brazil conditions Paraguay's return to Mercosur to approval of Venezuela's membership," MERCOPRESS, 23 April 2013.

EVENTS & RESOURCES

Events

Coming soon

29 April, Geneva, Switzerland. WORKSHOP ON THE ROLE OF INTERGOVERNMENTAL AGREEMENTS IN ENERGY POLICY. The aim of this WTO workshop is to shed light on the application of existing international rules embodied in the WTO and the Energy Charter Treaty to trade and investment in energy. Organisers also hope that the event will raise awareness of current challenges in the energy sector and the implications of such challenges for the regulatory framework. The discussion will focus on the interactions of the Energy Charter Treaty with the WTO Agreements. For more information, visit the [website](#).

29-30 April, Paris, France. OPENING A NEW CHAPTER IN EU-JAPAN RELATIONS. This roundtable, held at the French Ministry of Foreign and European Affairs, will feature CEOs and senior executives from leading EU and Japanese firms who will discuss and adopt general recommendations to be submitted to their domestic authorities. Attendees will also hold detailed discussions on the approaching negotiations for an EU-Japan trade deal, bilateral business cooperation especially in/with emerging economies and on resource issues, and other related topics. To learn more, click [here](#).

30 April, online. WE'VE MAPPED THE MOVEMENT. SO WHAT NEXT? This online webinar from Consumers International (CI) discusses the findings of a "sustainable business" model survey conducted by the organisation. The discussion will focus on, among other topics, how to efficiently allocate resources in international trade. To register, click [here](#).

WTO Events

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

25-26 April: Negotiating Group on Rules (Technical Group)

29-30 April + 1-3 May: Geneva Week (Non-resident Members and Observers)

30 April: Committee on Trade-Related Investment Measures

Other Upcoming Events

14 May, Lausanne, Switzerland. FDI AND INTELLECTUAL PROPERTY RIGHTS: HOW REGULATIONS INTERACT. Jointly hosted by the Evian Group@IMD and the International Finance Cooperation (IFC), this conference will discuss the IFC's global indicators and analysis report. The discussion will focus on business regulations in 185 different global economies. Also on the schedule are discussions on gender barriers to women's economic participation and talks about foreign direct investment (FDI) regulations worldwide. To register for the event, click [here](#).

15-16 May, London, UK. THIRTEENTH ANNUAL WTO CONFERENCE. This conference, hosted by the British Institute of International and Comparative Law, will feature emerging ideas and developments in international trade law. Panel topics will include energy and trade, economic analysis of WTO law, dispute settlement procedure, digital trade, moving forward from the financial crisis, international finance and trade, emergence of the Technical Barriers to Trade (TBT) Agreement, and what's next for the global trade body. To learn more, click [here](#).

1-19 July, Geneva, Switzerland. INTERNATIONAL INTELLECTUAL PROPERTY AT THE WORLD INTELLECTUAL PROPERTY ORGANIZATION. This American University summer course provides a study of international intellectual property policymaking at the World Intellectual Property Organization (WIPO). The course will feature numerous lectures and site visits with staff of the World Intellectual Property Organization and other Geneva-based experts, as well as informal opportunities to socialise and network with practitioners and alumni in the field. To learn more, please visit the course [website](#).

Resources

IRISH PRESIDENCY SAYS ETS IS NOT DEAD. By viEUws (April 2013). This interview, conducted by Peter O'Donnell, features Irish Ambassador to the EU Tom Hanney. In the interview – conducted shortly after the European Parliament's vote against backloading 900 million carbon permits – the ambassador discusses the EU's Emissions Trading System (ETS) and how record low prices for carbon emissions are showing weaknesses in the system. Hanney also outlines what steps Ireland should take during its presidency of the EU to bring carbon prices to a stable level. To watch the interview, click [here](#).

MONTHLY STATISTICS OF INTERNATIONAL TRADE. Published by the Organisation for Economic Co-operation and Development (OECD) (March 2013). This publication provides monthly statistics on international trade of the OECD countries. The document also reviews the most recent trends in trading patterns for OECD countries with the rest of the world. The statistics can be accessed [here](#).

RENEWABLE ENERGIES IN THE MIDDLE EAST AND NORTH AFRICA. Published by the Organisation for Economic Co-operation and Development (OECD) (April 2013). This publication discusses how recent developments in the Middle East and North Africa (MENA) have pushed governments towards adopting green energy initiatives in order to create jobs and foster economic growth. This text makes the case for a stronger deployment of renewables in the MENA region and identifies the appropriate support policies required to stimulate the necessary private investment. Click [here](#) to read the publication.

THE ROLE OF SERVICES FOR COMPETITIVENESS IN MANUFACTURING. By Hildegunn Kyvik Nordås and Yunhee Kim for the Organisation for Economic Co-operation and Development (OECD) (April 2013). This report analyses the relationship between competitiveness in manufacturing and the quality of key supporting services. The findings in this study suggest that better services contribute to moving up the value chain in industries where a country already has technological capacity and comparative advantage, but better services alone may not stimulate product differentiation in sectors where a country is far from the competitive edge. Policy reforms needed include simplifying procedures for contract enforcement, liberalising foreign direct investment, strengthening pro-competitive regulation of network services, and eliminating tariffs. To read the report, visit the [website](#).

THE PATH NOT YET TAKEN: BILATERAL AGREEMENTS TO PROMOTE SUSTAINABLE BIOFUELS UNDER THE EU RENEWABLE ENERGY DIRECTIVE. By Francis X. Johnson and Johan Westberg for the Stockholm Environment Institute. This paper discusses argues that little attention has been paid to the potential role of bilateral agreements in fulfilling the current EU Renewable Energy Directive's sustainability criteria. Specifically, the publication examines how bilateral agreements might provide a more flexible governance mechanism for meeting sustainability criteria in developing countries that export to the EU, while also addressing more general land use policies and cross-sector linkages in natural resource management. To learn more, click [here](#).

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