

BRIDGES NETWORK

# BIORES

Analysis and news on trade and environment

VOLUME 8, ISSUE 1 – FEBRUARY 2014



## Green goods on the move

### ENVIRONMENTAL GOODS

Davos announcement shakes up trade scene

### SUSTAINABLE DEVELOPMENT

Trade policy and the post-2015 agenda

### WTO

Bali and the future of multilateral trade



International Centre for Trade  
and Sustainable Development

# BIORES

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## BRIDGES TRADE BIORES

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## Green goods on the move



*Word of a new green trade commitment coming out of this year's World Economic Forum Davos meet could augur well for environmental goods trade. A group of 14 WTO members have signalled their intention to negotiate an agreement that will slash tariffs on a selection of environmental products.*

*Scaling-up environmental goods and services trade holds enormous potential. For a start, the latest evidence from the Intergovernmental Panel on Climate Change (IPCC) finds that a "warming of the climate system is unequivocal," a direct result of human influence, and will alter the face of the planet.*

*Lowering costs at the border on products required for solar and wind power generation could help economies the world over wean off dependence on fossil fuels – which in 2013 accounted for 82 percent of the world's energy mix, according to the International Energy Agency. And to the nearly 800 million people in Asia and some 630 million in Africa who continue to have limited or no access to electricity, the prospect of cheaper off-grid energy holds great promise.*

*As Mahesh Sugathan emphasises in this issue's lead article, the countries party to the new Davos initiative should now seek to bring as many countries as possible into the discussion towards an environmental goods agreement. Own tariff liberalisation in developing and least-developed countries could provide a way of securing both environmental and development-related benefits.*

*And if ambitious enough, the potential outcomes of the environmental goods trade talks could make important contributions to other international negotiations.*

*With countries currently working to secure a new binding global climate agreement by the end of 2015, the pressure is on, the stakes are high. Tying in a trade initiative on environmental goods to UN climate negotiations could give a much needed boost to the talks in the form of a concrete, positive deliverable that governments could take to Paris. And while much remains to be tackled for countries to establish enough common ground, multilateral inspiration may now be found from an unexpected source: the WTO.*

*Towards the end of 2013, the WTO secured its first ever successful global trade agreement in Bali, Indonesia. Countries agreed to a small but significant package, with a mandate to draft a work programme for the remaining 2001 Doha Round issues. Few analysts are suggesting the Bali deal marks a new phase of multilateral cooperation, but it is a positive sign, nevertheless.*

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*The BioRes Team*

## ENVIRONMENTAL GOODS

# Davos announcement shakes up trade scene

**Mahesh Sugathan**

*A recent announcement coming out of the annual World Economic Forum meet in Davos commits 14 WTO members to negotiating a trade liberalising agreement on environmental goods. But defining what constitutes an "environmental product" has not been easy in the history of trade negotiations.*

Environmental goods cover a range of products critical to securing sustainable energy supply, waste-water treatment, as well as reducing air and water-pollution. Gradual liberalisation and carefully-managed market openings in these areas can be powerful tools for advancing environment and development related goals. Environmental goods lists have been developed for research purposes, as well as to facilitate trade negotiations. With the promise now of movement in this area in international trade negotiations, it is worth examining the various environmental goods lists that have been drawn up over the past two decades, as well as reflecting on recent developments.

### Different institutions, different lists

Environmental goods and services were first included in multilateral trade negotiations as a subset of goods and services in the Doha Development Agenda (DDA), adopted at the Fourth Ministerial Conference of the World Trade Organization (WTO) in November 2001. But defining exactly which products qualify as environmental goods proved challenging and the lack of universally-accepted definitions slowed discussion within the global trade body.

Progress came at the regional trade level when, on 9 September 2012 in Vladivostok, Russia, leaders of the 21 economies that form the Asia-Pacific Economic Cooperation (APEC) group concluded an agreement to liberalise applied tariffs on environmental goods categorised under a list of 54 product categories or "sub-headings." In the Vladivostok Declaration participants agreed to lower applied tariffs to no more than five percent by 2015. Tariff reductions will be implemented by APEC member economies on a voluntary basis, following the general mode of APEC initiatives. APEC economies are free to either liberalise tariffs for the entire "HS 6-digit" subcategory, or only for more narrowly defined goods which fall under each of these. The HS 6-digit classification refers to the World Customs Organization's internationally agreed 'Harmonized System' (HS), a framework that allows customs officials to identify goods. All HS codes are standard up to the 6-digit level, which in turn include various goods classified in each country under national tariff lines (NTLs).

Table 1 below shows the various subheadings to which the 54 product categories belong, demonstrating the importance of the renewable energy, as well as the environmental protection categories of environmental goods – the latter including submissions for solid and hazardous waste (SHW), waste-water management (WWM) and air pollution control (APC). It must be noted that certain product subcategories as well as individual products could have applications in more than one sector, but the table below tries to present them in a mutually exclusive manner. As demonstrated in an ICTSD study, most APEC economies are already in compliance with the five percent tariff threshold for many of the products covered by the list.

It is this APEC environmental goods list that will now constitute a starting point for a more ambitious commitment by a number of WTO members – including the US, the EU, and China – to liberalise environmental goods trade, by reducing bound tariffs to zero, according to a recent announcement at the World Economic Forum in Davos. The process will likely take the shape of a "plurilateral," with concessions required only from the eventual agreement's members, and coming into force once a critical mass of WTO members sign on – in other words, those that bring with them a sufficiently high percentage

**Table 1: Environmental categories for product sub-headings in the APEC list**

Categories of main environmental protection	Number of sub-headings
Renewable Energy (RE)	15
Environmental Monitoring, Analysis and Assessment Equipment	17
Environmental-protection (principally SHW, WWM and APC)	21
Environmentally Preferable Products (bamboo)	1
Total	54

*In practice, environmental goods falling within a particular sub-heading may have more than one environmental application. The allocation of sub-headings to environmental categories may also differ slightly from data presented in other papers.*

*Source: Vossenaar, R. (2013); The APEC List of Environmental Goods: An Analysis of the Outcome & Expected Impact*

of world trade in environmental goods that are finally included for liberalisation. Benefits would then be extended to the trading body's entire membership, under the principle of Most Favoured Nation (MFN).

Apart from the APEC list – which was itself preceded by an APEC Early Voluntary Sector Liberalization (EVSL) initiative in the late 1990s – various lists were submitted by WTO members during the course of the WTO Doha Round, while others were developed for research and analytical purposes, including the OECD list<sup>9</sup>, the World Bank's 43 climate-friendly goods list, and another climate-friendly list compiled by the International Centre for Trade and Sustainable Development (ICTSD), the publisher of BioRes.

Both the APEC EVSL and the OECD lists informed the various country submissions on environmental goods made by WTO members during the course of the Doha Round, but these were regarded as helpful, not definitive, reference lists. The WTO has compiled an account of products and product categories that have been submitted during the Round up to this point by various WTO members (TN/TE/19). A self-dubbed "Friends of Environmental Goods" (Friends of EGs) group has offered up the most comprehensive WTO environmental goods list so far – covering diverse sectors with a total of 153 HS codes (JOB(09)/132). The Friends of EGs includes Canada; the European Union; Japan; Korea; New Zealand; Norway; Chinese Taipei; Switzerland; and the United States. Their list was proposed as an informal submission and represents agreement among the proposing members in terms of environmental goods coverage.

#### **Observations on the environmental goods lists**

While many listed products have environmental applications (including as intermediates) and could be of export interest to developing countries, they are very difficult to classify in terms of their environmental end-uses while tracking trade flows. It is also useful to note that all the products that were officially proposed at the WTO are industrial or manufactured. While a number of developing countries appeared interested in proposing agricultural goods of interest, it would be difficult for customs officials to differentiate those that were produced in a sustainable manner in order to implement tariff concessions. This is because customs descriptions for such goods at this level are based on their physical characteristics.

Comparison between the WTO list submissions demonstrates a dominance of low or lower-carbon goods submitted under the sectors of renewable energy, energy efficiency, heat and energy management, as well as carbon capture and storage. This, however, does not imply consensus among all WTO members that these are indeed low-carbon or even environmental. A number of cleaner fuels (in comparison with coal) – such as natural gas and associated technologies – have been proposed by Qatar and Saudi Arabia, raising the interesting question of relative greenness.

#### **Country reactions to various WTO EGs list submissions**

The Friends of EGs initial list offering – which covered around 480 HS 6-digit lines – was accompanied by a product-by-product evaluation approach to determine which of these



## Timeline

### November 2001:

Environmental goods and services included as part of the Doha Development Agenda at the WTO's Fourth Ministerial Conference

### September 2012:

APEC alliance agrees to liberalise tariffs under 54 product categories in Vladivostok, Russia

### January 2014:

14 WTO members announce in Davos, Switzerland their intention to pursue talks towards global free trade in environmental goods

goods would truly qualify as environmental. These discussions were often marked by disagreements between developing and developed countries, the former arguing that a single potential non-environmental end-use should suffice to disqualify a product from consideration. One point of view was that if negotiations are to take place within the WTO's Committee on Trade and Environment (CTE), goods at the HS 6-digit level should have solely or predominantly environmental end-uses. Developed countries countered that this would exclude all but a handful of items. Some WTO members, notably Argentina and India, proposed an alternative "project" or "integrated" approach, that would temporarily liberalise any good or service used for designated environmental projects. Other members expressed concern that such selective implementation would not result in binding, long-term liberalisation and would be difficult to implement.

The general critique and discussions eventually led to the Friends of EGs list being reduced to some 153 products from the 400 plus original submissions, although disagreements persisted. Many developing countries also emphasised that the practice of identifying specific products for liberalisation solely by name rather than by HS code – known as the "ex-out" approach – would be too complex for their national authorities to apply. Another aspect of the developing country critique was the lack of inclusion of products of export interest to them. However, except for Brazil proposing ethanol, no other specific product or products have been put forward by developing countries.

### Moving forward with environmental goods trade

These differing perspectives outline why it has been difficult up until now to make headway on environmental goods negotiations within the WTO involving all members. And given that environmental goods fall under the Doha Round – governed until 2011 by the concept of "single undertaking" – lack of progress on other tricky negotiating issues such as agriculture also put a dampener on environmental goods talks. A successful conclusion however of the WTO's Ninth Ministerial Conference in Bali, Indonesia may now have shifted attention towards resolving some of the remaining Doha Round issues, (see related article in this edition).

All nine members of the informal WTO Friends of EGs group are included among the 14 WTO countries who have pledged to pursue "global free trade" in environmental goods, announced on 24 January 2014. No timeline has yet been set for the talks and a number of issues will still need to be resolved; such as whether the aim would be to reduce tariffs to zero at the HS 6-digit level, or rather allow more selective liberalisation of national tariff lines among the members that sign up. If the latter option is selected, the issue of environmental relevance, namely that the pact will have a significant environmental impact, may creep in. The joint statement also indicated that the objective would be to negotiate a "future-orientated agreement" responsive to "changes in technologies in the years to come," as well as to eventually address issues like non-tariff barriers to trade in these goods.

An interesting feature of the WTO Bali Ministerial Declaration is the call for the Trade Negotiations Committee to prepare, within the next 12 months, "a clearly defined work program on the remaining Doha Development Agenda issues." At this early stage however, delegates do not yet have a feel for what a post-Bali programme on trade and environment might look like. Some insiders say that any upcoming CTE sessions will most likely see the Davos initiators inviting other WTO members to join the plurilateral agreement. And issues of coherence between the Davos initiative with the existing Doha negotiating mandate on environmental goods will in any case need to be clarified. According to one delegate, "talks are likely to go ahead, whether or not other key players, particularly developing countries, like Brazil, India, and South Africa join."

Given the overlap between countries in the Friends of EGs group and most of the countries behind the Davos initiative, one possible scenario could be a convergence between the APEC 54 and Friends 153 lists. This could however involve some countries having to come to terms with the inclusion of environmental product coverage from lists they were not originally party to, which may prove challenging.

Although the Davos initiative represents a renewed momentum to liberalising trade in environmental goods within the WTO framework, it is important that as many countries as possible, particularly developing countries, feel motivated to participate. This is important because they often have higher tariffs in place on environmental goods compared to developed countries. With the right domestic regulations and policy frameworks in place, developing countries too could harvest environmental and economic benefits from their own tariff liberalisation – such as access to cost-effective equipment and creation of jobs in downstream services sectors like installation and maintenance. With the exception of Costa Rica, the only developing countries to have joined so far are relatively industrialised. These include China; Hong Kong, China; Korea; Singapore; and Chinese Taipei.

An important consideration for ensuring trade coherence would be to foster synergies between this new environmental goods tariff-cutting commitment and negotiations on liberalising environmental services – which could now happen under a similar plurilateral approach known as the Trade in Services Agreement (TISA). Alternatively, environmental services could be adopted as a key principle or checklist criteria to be taken into account in the talks on environmental goods.

And while trade negotiations cannot be divorced from mercantilist considerations, negotiators and policymakers should try to keep environment as well as development dimensions at the forefront. One option that could deliver on the former would be to take a cost of environmental compliance approach. This would involve identifying goods for which prevailing tariffs or non-tariff barriers significantly raise the cost for economies pursuing important or required domestic environmental regulations. Such products could be prioritised for liberalisation.

On the development dimension, particularly as motivation for more countries to join the initiative, attention could be paid to dynamic growth products or those that hold great potential as exports from developing and least developed countries. Where these are shown to be relevant to environmental applications, even if the environmental end-uses cannot be strictly pinned down, tariffs and non-tariff barriers could be eliminated – with OECD countries spearheading the initiative.

Both these environment and development approaches could also be mainstreamed into various other ongoing WTO negotiating areas, such as manufactured goods, or agricultural goods and services, enabling mutually supportive outcomes across the Doha Round as a whole.

*This article is based on a longer information note published by ICTSD: [Lists of Environmental Goods: An Overview](#), ICTSD, December 2013*

- ❶ Countries participating in the Joint Statement Regarding Trade in Environmental Goods (24 January, 2014) include, Australia; Canada; China; Costa Rica; the European Union; Hong Kong, China; Japan; Korea; New Zealand; Norway; Singapore; Switzerland; Chinese Taipei; and the United States.
- ❷ Steenblik, Ron, (2005), Environmental Goods: A Comparison of the OECD and APEC Lists, OECD Trade and Environment Working Paper No: 2005-4.



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BIORES INTERVIEW

# A conversation on green goods trade with Ronald Steenblik and Grant Ferrier



## Ronald Steenblik

Senior Trade Policy Analyst for the Organisation for Economic Co-operation and Development (OECD). He has written extensively on the practical considerations of liberalising trade in environmental goods, as well as co-authored numerous OECD publications in this area.



## Grant Ferrier

President and Founder of Environmental Business International (EBI), a publishing, research and consulting company serving the climate change and environmental industries. EBI is also the publisher of the *Environmental Business Journal*, an industry review.

*On the 24 January 2014 at the annual World Economic Forum meet in Davos, Switzerland, a group of 14 WTO members – including the US, EU, and China – agreed to pursue “global free trade” in environmental goods, announcing their intention to negotiate a “plurilateral” deal that would eliminate tariffs on such products. The group plans to use the list of environmental goods agreed by the Asia-Pacific Economic Cooperation (APEC) alliance as a starting point for their discussions. In 2012, APEC declared an objective to reduce tariffs on a list of 54 green goods – such as wind turbines and solar panels – to five percent or less by the end of 2015. The regional pact is non-binding for its 21 members, and features many products that already have low tariffs. This interview with two leading voices in the environmental goods field was conducted late January 2014.*

**The majority of tariffs on the APEC list are already quite low – is tariff liberalisation in this context still relevant? How much would reducing trade barriers to zero boost trade in environmental goods?**

**[Ronald Steenblik]** Among the countries signed on so far<sup>1</sup>, most already have low tariffs, and so if one simply looks at it from the perspective of import prices, it's probably not going to make a huge difference. On the other hand, there is a nuisance aspect to any tariff. In a few cases where companies are importing into one country and then re-exporting to others, they might currently be facing the problem of cumulative tariffs, and so reducing tariffs to zero would reduce that problem. Let's say it's an important symbolic start for the countries participating. I assume that they are hoping to be able to use it as a base to bring in other countries that do have reasonably significant tariffs.

**[Grant Ferrier]** I think its immediate relevance is largely symbolic, but then again more than symbolic. Over the years when Environmental Business International [EBI] has run surveys of companies conducting environmental business worldwide, tariffs are rarely among the top two or three concerns. So I would say removing them sends a signal of economies' desire to cooperate to eliminate all barriers - and tariffs are perhaps the easiest barriers to agree on first.

I think a next step would be adding more goods to the APEC list of 54 for tariff reduction, as well as continued discussion on the elimination of all barriers to trade. But looking at a detailed analysis on the global trade flows, one problem is that hardly any of the HS codes<sup>2</sup> are 100 percent environmental. A lot may be only 5 or 10 percent environmental, if you look at actual dollars of trade flows, measured in COMTRADE data compared with EBI's environmental industry statistics derived from surveys. Part of the challenge ahead for us in measuring trade lies in reconciling real commercial trade activity in environmental goods, and ultimately services, with actual trade data recognised by all the actors, given that many commodities on the APEC and broader lists have multiple uses.

**Would it be necessary for traditionally reluctant WTO members like India, Brazil, and South Africa to be part of the initiative? And will they join?**

**[RS]** The Organisation for Economic Co-operation and Development [OECD] has always argued that too much attention has been paid to countries' so-called defensive and



offensive actions — the former signifying an interest in protecting one's domestic market, the latter in gaining access to foreign markets. The environmental perspective stresses more the importance of having access to the latest technology, and getting it at a low price, which minimises the cost of actually accomplishing a country's environmental objectives. This is what countries should focus on.

A related consideration is the extent to which an environmental goods agreement will take into account global value chains [GVCs]. A lot of end products used today are made from different components, sourced all over the place. Some countries approach the greening of their economies as requiring that they produce the whole complete technology. Instead, they should be thinking about how to get into a global value chain early, by producing some components, which could then be integrated into final products.

[GF] I would say these countries need to be aware of the possible commercial threats to their own indigenous environmental industries. Rather than being told that these don't exist, emphasis should be placed on the various firms that do have global leadership, or a comparative advantage. Looking at some of EBI's case studies, we found that more open markets foster earlier capacity-building, which has an impact on the ability of an environmental industry to compete.

An example I'd give would be Chile. They opened their water sector both to privatisation, as well as to international involvement. A Spanish company, Aguas de Barcelona, was a major partner in a number of projects. Many of the people hired were local talent and engineering firms. I met several examples of enterprises that went from between 5-15 employees to 200 plus. This demonstrates that a well-regulated, open environmental goods trade policy can drive consistent growth in environmental competence as well as environmental commercial activity, which can also have social benefits. If relevant industries partner sooner with foreign expertise, then don't necessarily leap-frog from short-term pollution control to the other side of sustainable development, but they can certainly accelerate down that path, potentially becoming regional players.

**What about non-tariff measures (NTMs) in environmental goods? How will these be tackled given that Para 31 (iii) of the Doha Mandate also deals with NTMs?**

[RS] If you look at the way negotiators have dealt with non-tariff barriers in other plurilateral agreements – for example the Information Technology Agreement [ITA] – what tends to happen is parties to the agreement refer non-tariff barrier [NTB] issues to the WTO's Technical Barriers to Trade Committee. I don't want to second-guess what the participants in the environmental-goods plurilateral are going to do, but if they manage to really focus on NTBs seriously, it'll indeed be quite innovative.

On the specifics, if NTMs are defined as including subsidies to local producers, those make a big difference in some markets. Subsidies aren't necessarily illegal under WTO law, with the exception of export subsidies or those contingent upon the use of domestic over imported goods. And what about subsidies to fossil fuels? It would be really interesting to see if and how countries decide to tackle these kinds of issues. Another important NTM would be barriers relating to standards and regulation. The OECD has found that a lot of those are actually pretty generic. In many cases the standards are similar across countries and it's therefore not all that difficult for exporters to meet them. On the other hand, an additional burden comes from testing. What would really help would be to agree to have some kind of process towards mutual recognition of test results.

[GF] To me it seems like a lot of NTMs, such as intellectual property or percentage of ownership, are now being more properly negotiated bilaterally. This could augur well for further action at the global level. On NTMs related to environmental equipment, say water treatment or air pollution, again I don't think these are the most significant obstacle. Instead, EBI thinks more reform should be focused on consistent driving of the demand for environmental improvement, by creating more economic incentives – or alternatively more economic pain so to speak. Whether that's through market-based instruments, fiscal policy, taxes, or prescriptive regulation with consistent enforcement,

## W/120 list

The services sectoral classification list (W/120) is a [comprehensive list](#) of services and sub-sectors covered under the WTO General Agreement on Trade in Services (GATS), compiled by the global trade body in July 1991.

those factors are crucial. Open markets and elimination of barriers certainly help, but without a reasonably predictable market, environmental companies won't even consider pursuing business overseas.

### **At this stage, the trade commitment is only for environmental goods – what about ensuring coherence with environmental services?**

**[RS]** I think that negotiators will hold off initially on addressing services, pending the outcome of the Trade in Services Agreement [TISA] negotiations. It could work out that the TISA negotiators do most of the job for them. If they don't follow this route, options would include utilising the (W/120) list. Based on this, it shouldn't be that hard – for OECD countries at least – to agree on some liberalisation in related services. However, OECD work has shown that services used for environmental purposes come under a wide variety of W/120 categories, and not just the ones officially designated 'environmental'. For example, a wind-power project may involve engineering services, construction services, and – after the project is up and running – data-transmission services. An interesting question is whether the negotiators will choose to tackle liberalising such services under an environmental goods and services plurilateral, or through TISA, or indeed through the multilateral negotiations.

**[GF]** I can't comment on the coherence and the negotiation process, but I can comment on the importance of bringing services into the fold. Many relevant companies we've looked at are globally active in the area of environmental services, for example the consulting engineering segment whose companies plan, permit, design, build, and often maintain many environmental facilities – whether for pollution control, recycling, renewable energy, or waste minimisation. They also play a crucial role in planning and permitting resource development projects in oil, gas, and mining, by performing environmental impact statements and environmental impact assessments.

### **Do you think participants will be ambitious and liberalise trade on the 54 HS-6 categories or pick and choose individual ex-outs?**

**[RS]** Some of the countries such as Singapore, not an OECD member, already have very low tariffs on manufacturing goods anyway. In that kind of situation, one would ask why liberalising trade at the level of HS 6-digit sub-headings would be a problem. The only hurdle for some might be if the product is not sufficiently environmental. A country's motivation for not agreeing to the inclusion of a product could be that it looks dissonant. And that's actually a challenge for some HS codes. The commodity descriptions can be pretty cryptic.

**[GF]** I would think it depends on the economy. Most of the signatories to the joint statement will go for the codes – why else would they sign? You never know how things will happen in practice, but I am optimistic that the countries and their teams will carry back the right message that this offers little commercial threat, but instead social, environmental, an even political benefit.

### **How could participants ensure the list will be a living list that can add new products? What about a system for periodic review and updating?**

**[RS]** A living list does have its problems. In most other plurilaterals, it was clear which HS chapters would be covered. But environmental goods fall under a couple of dozen of chapters, spread across the HS. So what that means is each product has to be judged on a case-by-case basis, by some sort of standing body. I think that the participants need to really reflect on how they are going to deal with this. If somebody comes up with a new invention, and they can get it classified as an environmental good, they'll get zero percent tariffs. The result is that the standing body might be deluged with requests for new products to review.

**[GF]** I think a living list should and will happen. But I also think more applied work on the list and education of the teams involved will be important in order to make further progress. Importantly though, the propulsion behind the recent announcement wasn't just one political cycle in two or three countries; I think the momentum in environmental

trade is a product of a broad movement of a generation that's only getting stronger. Issues relating to environmental quality and even environmental security – if we can use that term as analogous to sustainable development – are becoming stronger as a foundation for efforts in liberalising trade in environmental goods and services, driving a more uniform global environmental and climate policy in general.

**How significant is it that China is on board?**

[RS] I think it's a very good thing; it was a most welcome surprise.

[GF] It is significant. The Chinese analysts I've talk to have realised the extent to which they operate a surplus in environmental goods. That's likely to be a good tipping point.

**High-profile disagreements around solar panels have been visible these past years. Does that demonstrate the significance of the market this trade commitment would cover?**

[RS] The growth in this whole area has been really fast. Some trade officials almost missed seeing it coming. About ten years ago, I had a conversation with a trade official from one of our member countries, bringing him up to speed on what was happening in renewable energy trade. He kept referring to it as a niche market – I had to point out that within a few years, trade in wind turbines and related goods could be as large as it is in civilian aircraft. That made him sit up straighter in his seat!

[GF] Whereas I think the solar thing is a different animal. I've always viewed this process of negotiating around traditional environmental goods such as waste-water treatment and traditional pollution orientated areas as relatively simple. But renewable-energy generation equipment and its supply chain – this almost has to be dealt with as a separate platform or it's going to slow down the process.

**What is your evaluation of the climate-friendly nature of the APEC list?**

[RS] A lot of the goods are so-called dual use, and I'm sure that there are economic reasons for why certain goods went on, while others did not. My guess it that the APEC negotiators still felt that a reasonably good list would be better than hanging on and continuing to negotiate a longer list. One thing I did look at in the context of a value chain is that around a third of the tariff lines refer to parts and components. Whether that was by design or accident, it is not a bad thing. Other work we have done on the ITA has shown that where you have plurilaterals that have not accounted for components, the effective rate of protection can still be quite high.

[GF] Again I would say that the first tier of environmental goods and services trade liberalisation is related more to the traditional public health orientated environmental issues of air and waste, although few water equipment categories made it through on the APEC list, as well as some solar and wind components. My perception anyway is that leaping to climate-related issues and carbon profiles are completely separate from most of what this first agreed upon list is about.

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❶ Countries participating in the Joint Statement Regarding Trade in Environmental Goods (24 January, 2014) include, Australia; Canada; China; Costa Rica; the European Union; Hong Kong, China; Japan; Korea; New Zealand; Norway; Singapore; Switzerland; Chinese Taipei; and the United States.

❷ The "HS codes" refers to the World Customs Organization's internationally agreed "Harmonized System" (HS), a framework that allows customs officials to identify goods.

SUSTAINABLE DEVELOPMENT

# Trade policy and the post-2015 agenda

Alice Tipping

*Crafting a universal, integrated set of Sustainable Development Goals (SDGs) presents both challenges and opportunities. Working out how to foster policy synergies, including trade policy, to achieve overlapping environmental, social, and economic objectives, will be a key part of the new development paradigm.*

With the expiry of the Millennium Development Goals (MDGs) coming up in 2015, the UN system is in the process of pulling together a post-2015 global development agenda. The final outcome is expected set the course for international development work for the following fifteen years. In recognition of the interconnected nature of most development challenges, UN members have mandated that the post-2015 agenda, including a single set of Sustainable Development Goals (SDGs), should integrate and balance environmental, social, and economic concerns. UN members have also decided that the SDGs will be an agenda for universal action, in other words: global goals that are relevant to all countries, supported by national targets. Countries, UN agencies, and NGOs are lobbying hard to have their priority issue included, from MDG priorities like health and hunger, to new issues like urban settlements, decent work, or peace and security.

Viewing the debate from Geneva, where the helpful (or harmful) effects of trade policies on the environment, economic growth, and human development are debated every day, it is striking how little trade policy is part of the post-2015 debate. UNCTAD calls trade “the most reliable and productive way of integrating into the global economy and of supporting the efforts of poorer countries to become less aid dependent.”<sup>1</sup>

Expanding this thought, trade not only connects but shapes economies, communities, and the environment; it drives changes in employment and production, as well as the use of natural resources that production depends on. Trade policy is therefore an important part of the solution to balancing environmental protection, economic growth and human development. Trade policy is also a tool of universal action, as virtually every government faces the challenge of defining what its trade policy settings should be.

Background briefs produced by a Task Team of UN agencies to inform the creation of the SDGs touch briefly on the role of trade, citing it as an enabler of growth and as a way of diffusing technology. Country statements at meetings of the UN Open Working Group tasked with developing the SDGs have referred to a number of trade-related issues including agricultural and environmentally harmful subsidies. But there has been very little – if any – attempt to tie this together to answer the broader question: what role should trade and trade policy play in the post-2015 development agenda?

## MDG8, the problem child

The MDG framework consisted of eight headline goals agreed to by all the world's countries, as well as leading development institutions. Trade policy was included in Millennium Development Goal 8: *Develop a global partnership for development*. Along with targets on overseas development assistance (ODA) and debt sustainability, Targets 8A and 8B refer to developing further an open, rule-based, predictable, non-discriminatory trading and financial system, as well as addressing the special needs of least developed countries (LDCs). The trade-related targets were accompanied by indicators to measure market access provided by developed countries for developing country exports, agricultural subsidies in OECD countries, and the proportion of overseas development assistance (ODA) allocated to help build trade capacity.

MDG8 was problematic on a number of levels. It is often considered to have been an afterthought of the negotiating process – a grab-bag of economic issues that were

acknowledged to be important but for which delegates felt ill-equipped (or simply ran out of time) to deal with properly. The targets under MDG8 are also less specific and less measurable in comparison with the other goals. Assessing target 8A for example, the further development of the international trading system, is vague, and requires multilateral action, making it simultaneously everyone's responsibility and no-one's. Target 8B similarly sets no objective measure of achievement, simply stipulating LDCs' needs be addressed. Unsurprisingly, opinions about whether MDG8 has been met or not vary widely.

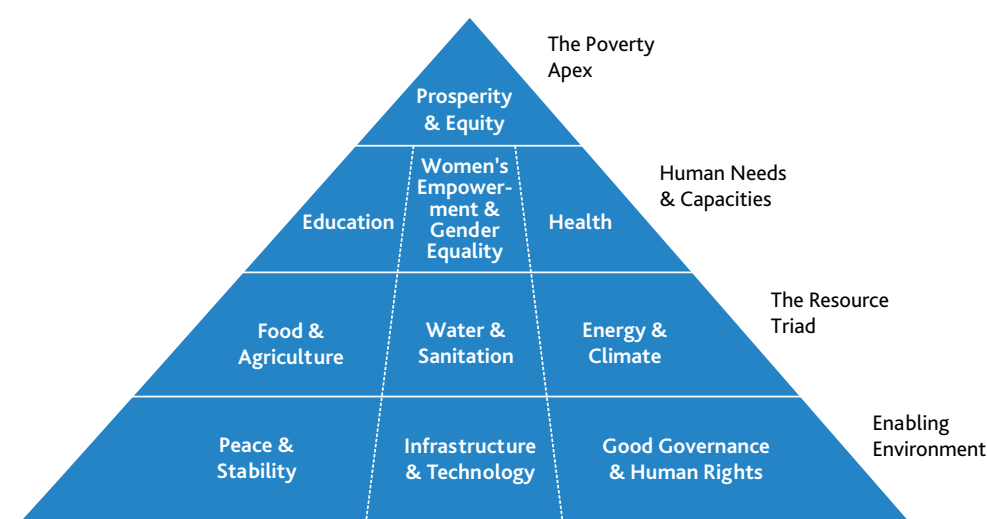
Finally, there is very little connection between MDGs 1 through 7 and MDG8. ODA, debt relief, and trade preferences were apparently simply assumed to help developing countries achieve the first seven goals. Perhaps as a result, several developing countries have argued for the means of implementation of the new SDGs to be identified as part of the framework for each new goal. Means of implementation could include traditional ODA from developed to developing countries, South-South aid, or domestic financing. One of the underlying challenges for the SDGs process, then, will be to identify not only what the world's development goals should be, but also who should fund the work to achieve them, and how.

### SDGs, new kids in town

The process of creating the SDGs provides an opportunity to re-think the structure of the MDGs. As discussed above, the SDGs are meant to pursue an integrated approach to advancing human development, economic growth, environmental protection, and (some experts argue) peace and security issues simultaneously. Stakeholders have put forward various conceptual approaches to building this integrated framework. Colombia has advocated a bottom-up approach by which critical targets across a multitude of areas would be identified first, and then grouped into the relevant macro-level goals.

The UN Global Compact – a policy initiative designed to engage business in development – submitted a document to the SDGs process that groups issues under broad themes; The Resource Triad theme for example pairs food and agriculture, water and sanitation, energy and climate as synergistic goals, as set out in Diagram 1:

**Diagram 1:**  
 UN Global Compact post-2015 issue area priorities



Source: UN Global Compact LEAD consultants in UN Global Compact (2013): *Corporate Sustainability and the United Nations Post-2015 Development Agenda Perspectives from UN Global Compact Participants on Global Priorities and How to Engage Business Towards Sustainable Development Goals*.



# The MDGs

- 1 Eradicate extreme poverty and hunger
- 2 Achieve universal primary education
- 3 Promote gender equality and empower women
- 4 Reduce child mortality
- 5 Improve maternal health
- 6 Combat HIV/AIDS, malaria, and other diseases
- 7 Ensure environmental sustainability
- 8 Global partnership for development

The UN High Level Panel of Eminent Persons (HLP) – a group convened by the UN Secretary General to advise on the post-2015 agenda – suggested a set of 12 issue-specific goals supported by 54 clear and measurable targets, several of which pinpoint multiple dimensions of development. The HLP's draft goal *Ensure Food Security and Good Nutrition*, for example, includes human development targets on hunger and stunting, an economic target around agricultural productivity, as well as an environmental target on sustainable fish stocks.

The task of putting together the first draft framework of SDGs has been given to the Open Working Group (OWG) on the Sustainable Development Goals of the UN General Assembly. The OWG notionally has 30 seats, but several of these are shared, meaning that some 70 countries are represented. Other UN member states and civil society stakeholders contribute to the OWG's work by submitting statements and input papers.

The OWG has met regularly since early 2013 to take stock of issues, options, and members' positions on a series of sustainable development issues. After their final session in February 2014, delegates will begin work on an output document, to be sent to the UN General Assembly in September 2014. This output document will join many other reports from a range of groups working on different aspects of the post-2015 development agenda. The central issue of financing sustainable development, for example, is being discussed by an Intergovernmental Committee of Experts on Sustainable Development Financing.

The General Assembly will then bring all of these inputs together to craft the final post-2015 development agenda. It is not yet clear how the various inputs will be combined into a single coherent agenda and whether the OWG's draft SDG framework will then be re-opened for further negotiation. The OWG is broadly representative, however, so it is fair to assume that its report will carry some weight. The next few months of negotiation around its output document are therefore an important opportunity to shape the core of the post-2015 agenda.

## Trade policy and the environment in the SDGs

Trade policy could play a number of roles in the SDG framework. The simplest option would be similar to the role it played in the MDGs: as an enabler of economic growth mainly through improved market access for developing country exports. This could be achieved by rolling over the goals and targets of MDG8; increasing aid for trade, lowering tariff barriers, lowering developed-country agricultural subsidies, and gradually improving the rule-based trading system.

Such an approach could also be updated by establishing more specific targets for the market access provision. Countries could establish national targets for either full, or a specific percentage of, duty-free and quota-free (DFQF) market access for exports from LDCs, for instance. This variation would offer added value in three important ways. Firstly, it would make the market-access based contribution of trade policy more universal, reflecting the importance of South-South trade as well as the growth of huge markets in developing countries. A second gain would be in increased measurability, read enhanced accountability. Third, countries would be able to set targets consistent with national circumstances.

But while this update could be an improvement on MDG8, the integrative nature of the SDGs presents an opportunity to further leverage what trade-related policy could contribute towards attaining sustainable development objectives. Under a more integrated approach, trade-related targets or indicators could be included across the SDGs framework wherever they could contribute to improved environmental and human development outcomes, from addressing climate change to food security and nutrition. The objective would be to identify specific areas of trade policy reform which, done carefully and gradually, could support progress towards particular sustainable development goals. Such an approach would reflect the fact that trade policy is a universal tool and could help countries involve trade policy in coherent national policy frameworks.

There are already some signs of this approach filtering into the SDGs debate. The UN Secretary General's report to the UN General Assembly on the MDGs and the post-2015 development agenda, "A Life of Dignity for All," includes trade as an essential component of promoting inclusive and sustainable growth, together with decent employment. In another example, several countries in the OWG have underlined the continuing importance of reductions in agricultural subsidies in the developed world in the context of improving food security and ending hunger.

Others have argued for reductions in environmentally harmful subsidies. The HLP's draft goal around *Secure Sustainable Energy*, for instance, includes a target for phasing out inefficient fossil fuel subsidies that encourage wasteful consumption, reflecting the fact that improving access to renewable energy depends not only on its price but also on the price of competing fossil fuel alternatives. In addition to agricultural and fossil fuel subsidies, the reform of capacity-enhancing subsidies to fisheries would contribute to reducing pressure on fish stocks, helping to restore their ability to provide a sustainable source of food security and nutrition. Demand for fish as food is likely to increase by between 20 and 30 percent by 2030, but only 12.7 percent of global fish stocks have room for further expansions of catch.<sup>②</sup>

Countries in favour of reforming environmentally harmful subsidies also emphasise that this could generate further means of implementation for other goals. At the domestic level, they argue, this might involve recycling the funds previously used for subsidies into investments in sustainable infrastructure and production patterns. The funds could also be redirected towards ODA, where relevant. Linked to this, UN member states could consider the potential for Aid for Trade to have a broader, environment-related role in the integrated structure of the SDGs. MDG Target 8.9 refers to the proportion of ODA provided to help build trade capacity. As economic activity is shaped by changes in climate patterns, however, the objectives of supporting exporting capacity and adapting to climate change are increasingly related. For example, [ICTSD research](#) has looked at how adaptations to climate-change induced variations in agricultural growing conditions, including improving irrigation and the use of drought-resistant crop strains, could be supported by trade-related financing. This and other complementarities between different means of implementation could help to address economic, environmental, and social development objectives in a more coherent way.

### Trade as an enabler across the sustainable development goals

The post-2015 development agenda will not impose obligations on UN member states; no country will be legally bound to implementing the targets agreed. If they are anything like the MDGs, the SDGs and the post-2015 development agenda will act as influencers – focusing political attention on priority areas, as well as acting as a lightning rod for funding flows.

The SDGs' integrated design and universal application provide a real opportunity to make development, environment, and economic policies, including trade policy, more coherent and mutually supportive. Trade-related ideas are already part of the debate in New York, but there is still space to define a coherent, constructive, and cross-goal role for trade policy in the new sustainable development agenda.



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① UNCTAD (2013) Trade and development and the global partnership beyond 2015, UN System Task Team on the Post-2015 Development Agenda Thematic Think Piece, United Nations Conference on Trade and Development, Geneva, p3.

② Lee, B., Preston, F., Kooroshy, J., Bailey, R., and Lahn, G. et al (2012), *Resources Futures*, Chatham House, London.

WTO

# Bali and the future of multilateral trade

Sofia Baliño

*A deal at the WTO's Ninth Ministerial Conference in Bali, Indonesia, could now see the global trade body turn over a new leaf.*

Trade ministers meeting on the Indonesian island province of Bali announced last December that they had finalised negotiations for a global trade pact – the first since the WTO opened its doors in 1995. The so-called Bali package covers only a small fraction of the Doha Round mandate, established by the WTO in 2001, with the more difficult topics left for further down the road. The systemic impact, however, could be substantial if WTO members manage to hold onto this momentum.

A failure in Bali would have been devastating for the multilateral trading system as we know it. Success, though, begs its own set of questions, namely whether achieving the first multilateral trade deal in nearly 20 years is enough to reinvigorate the WTO's negotiating function in the long-term – especially as bilateral, regional, and plurilateral agreements take an increasingly prominent role on the world stage.

Meanwhile, the emergence of the so-called “new issues,” such as energy, exchange rates, or investment, have caused many to question whether the mandate from 2001 still matches up with the needs of the global economy – and if not, whether the WTO is equipped to adapt to an ever-changing trade landscape.

## The Bali deal

The package reached in Bali had three parts: an agreement on trade facilitation (TF); four texts on select agriculture issues; and a short series of items related to developing and least developed countries (LDCs).

Choosing to focus on just a subset of the Doha Round negotiations – rather than dealing with it as a whole – was a major departure for the 159-member body, which had previously long held onto the notion that an “early harvest” was not an option.

Only in mid-2011, after a last-ditch effort to finalise the Round as a whole failed, did members decide instead to break the negotiations into parts, and later review the various pieces for balance. While an attempt to achieve a Doha mini-package fell apart only a few months later, just ahead of the December 2011 Geneva ministerial, WTO ministers did agree to declare the Round officially at an impasse, committing themselves to pursue “new negotiating approaches” to break the stalemate.

Trade facilitation quickly emerged in 2012 as an area where an agreement might be feasible. Although not originally part of the Doha Round mandate, trade facilitation had been one of the fastest moving areas of the negotiations in recent years, and had long been considered a possible candidate for a WTO “early harvest” should one come to fruition.

Trade facilitation aims to reduce red tape and bureaucracy at the border, an issue of particular relevance for landlocked developing countries, where passing goods through customs checks can take weeks, in some cases months. The Bali agreement in this area has been touted by its proponents as a win-win for all, with the most optimistic estimates predicting that it could yield a US\$1 trillion annual boost in world trade.

A last minute stand however on the topic by Cuba on the final night of negotiations nearly scuppered the entire Bali conference. Havana, with the support of Bolivia, Venezuela, and Nicaragua – also part of the Bolivarian Alliance of the Americas, or ALBA – pushed for the

language that would have prohibited members from applying discriminatory measures to "goods in transit, or to vessels or other means of transport from other members," aimed at taking down the US embargo imposed in 1960.

Negotiators burned the midnight oil looking for a compromise – which, when it came, stated that members would not maintain any "voluntary restraints" or "other similar measure on traffic in transit," but that this was "without prejudice to existing and future national regulations, bilateral and multilateral arrangements related to regulating transport consistent with WTO rules." The ministerial declaration also included a line reaffirming members' commitment to the principle of non-discrimination enshrined in the trade body's core legal foundation, the General Agreement on Trade and Tariffs (GATT), as updated in 1994.

With regards to agriculture, the Bali texts deal with three main issues: tariff rate quotas, public stockholding for food security purposes, and export competition. Though all of the agriculture proposals hit their share of setbacks in the negotiating process, the issues surrounding public stockholding at one point also threatened to derail the show.

Backed by the G-33 coalition of developing countries with large populations of smallholder farmers, the group – led by India – had pushed for greater flexibility under WTO rules for purchasing food at administered (government-set) prices when building public stocks for food security purposes. However, some developed and developing countries questioned whether allowing unlimited levels of market price support to count as minimally trade-distorting might actually lead to the opposite effect, while potentially causing food security problems elsewhere should excess grains be dumped onto third country markets.

The public stockholding issue dominated most of the Bali conference, with the G-33 coalition itself splintering as the negotiations went on. Indian Commerce Minister Anand Sharma took a strong stand on the subject at the meeting, telling a packed press conference that his country's right to ensure its own food security was "non-negotiable."

The final text now commits members to negotiating a permanent solution, with a peace clause – also known as a legal "due restraint" mechanism that would commit WTO members to *not* launch disputes in this area – serving as an interim arrangement until then. The deadline to conclude a permanent solution is scheduled as the WTO's eleventh ministerial conference, expected for 2017. In the meantime, only stockholding schemes in place on the date of the Bali decision will be covered by the new arrangement.

Public stockholding was not the only farm trade fight featured in the context of these talks. Ahead of Bali, a proposal by the G-20 coalition of developing countries – not to be confused with the G-20 group of major industrialised and emerging economies – on agricultural export competition served to raise the blood pressure of delegates negotiating in Geneva.

At the WTO's 2005 ministerial conference in Hong Kong, ministers had agreed to eliminate all export subsidies and similar measures by 2013. However, the US and EU have argued that this pledge was made conditional on the completion of a full Doha deal.

In the months leading up to Bali, the G-20 suggested that some formal assurances were still needed of WTO members' commitment to resolving the matter. The final language agreed in Bali "reaffirms" members' commitment to eliminating these export disciplines as an outcome of the Doha talks, while encouraging them to continue their domestic reform processes to reduce such subsidies in parallel.

Also agreed in Bali was a provision that would allow developed countries to ease their farm import quotas in cases where such quotas were regularly left unfilled. Separately, members also decided to exempt certain farm subsidy schemes – such as "general

services" programmes involving soil conservation or rural employment, among others – from certain ceilings, on the grounds that these cause minimal trade distortions.

In the area of development, the Bali package establishes a "Monitoring Mechanism" for special and differential treatment (S&DT) – which at the WTO refers to specific provisions for developing countries – including the possibility for developed countries to provide the former with more favourable treatment.

This mechanism would analyse and review the implementation of S&DT provisions across all the WTO Agreements, with the option of making recommendations to the relevant WTO bodies for launching negotiations on such provisions if a problem is identified.

The other four developing country texts in the Bali package refer specifically to LDCs. These include terms for operationalising the services waiver agreed at the 2011 Geneva ministerial, which permits members to grant preferential treatment to LDC services and service suppliers; more favourable rules of origin; duty-free quota-free market access; and a new set of dedicated discussions on the controversial subject of cotton trade.

### **Maintaining momentum**

What the Bali deal will actually mean for world trade in the long run remains to be seen. Officials predict that the trade facilitation deal, for instance, could take as many as two years to implement. Under WTO rules, two-thirds of the membership must ratify the pact in order for it to apply to those members. How countries use the flexibility provided under the public stockholding text is another key area to watch.

Meanwhile, the looming question in trade negotiators' minds is what the WTO should do next. Notably, the final Bali declaration features several paragraphs on "post-Bali," including a directive to develop a work programme that would deal with the outstanding Doha Round issues. WTO members have 12 months to develop such a plan, which also has to be consistent with the 2011 ministerial guidance of exploring new negotiating approaches – including ways to work past the "most critical and fundamental stumbling blocks."

What this language could lead to in practice is still an open question. Resolving some of the Doha Round's most difficult issues – agriculture, industrial market access, and services – is expected to be difficult, if not impossible, particularly given the widely-held view that these three are inextricably interlinked.

Some have suggested that a possible way forward could include future WTO mini-packages, such as the one seen in Bali. Others counter that the circumstances that allowed for the Bali deal might not hold for other elements of the Doha Round.

Another option that has been gaining traction in certain circles is the possibility of pursuing 'plurilateral initiatives' that could later be extended to the whole WTO membership – a controversial topic. While some have warned that this could detract from the multilateral process, others have said that these efforts could be just the sort of "flexible negotiating approaches" that WTO members are looking for. In the meantime, new plurilaterals are expected to take shape.

In 2012, for example, a group of WTO members announced that they would be initiating negotiations on a plurilateral deal on services trade. The talks for this Trade in Services Agreement (TISA) are now well underway, with the next round of negotiations set for February 2014.

And on 24 January on the sidelines of the World Economic Forum in Davos, Switzerland, a group of 14 WTO members – including the US, EU, and China – announced that they were launching a new plurilateral initiative aimed at achieving "global free trade" in environmental goods. The initiative will eventually lead to formal negotiations, though participants have not yet confirmed a timeframe for these.



The group, which also includes Australia, Canada, Costa Rica, Chinese Taipei, Hong Kong, Japan, Korea, New Zealand, Norway, Switzerland, and Singapore, reportedly make up 86 percent of trade in the environmental goods tentatively expected for tariff liberalisation. Global trade in environmental goods, according to [US data](#), amounts to just under US\$1 trillion a year. Tariffs on such goods, however, can be as high as 35 percent.

Liberalising trade in environmental goods and services had been part of the Doha Round negotiating mandate, with members directed to find ways to lower tariff and non-tariff barriers in this area. The talks languished however on the WTO stage due largely to questions over what constitutes an environmental good and which products a final global deal might cover.

Meanwhile, the idea to attempt plurilateral talks on green goods has been quietly building steam over the past year, ever since the Asia-Pacific Economic Cooperation (APEC) forum – a regional coalition of 21 members – reached a non-binding commitment to lower tariffs to five percent or less on a list of 54 environmental goods by the end of 2015.

Calling the APEC deal and the product categories included a “good start,” the Davos group behind this new initiative has said that they hope to develop a “future oriented agreement” that would be adaptable to the evolution of new technologies, as well as capable of addressing other barriers to trade in the environmental sector.

Participants in this effort have said that they hope to bring their agreement under the WTO umbrella. Once the number of participants covers a high enough percentage of world trade on the list of goods agreed-upon – usually 90 percent, as seen with the WTO's Information Technology Agreement – the pact's benefits would be extended to the global trade body's entire membership. Concessions, however, would only be required from its signatories.

### **A rare opportunity**

No one can say for certain what lies in store for the WTO as it begins this next chapter, particularly given the Doha Round's long and troubled history. There is the risk that the post-Bali glow could fade, and calls for creativity, flexibility, and new approaches might ultimately go unheeded, especially as politics and domestic concerns come into play.

Conversely, WTO members could use Bali for what it is: a rare opportunity to start fresh, in a new global context, while making sure to remember the lessons of over a dozen Doha years.

As we enter the new year, efforts to close mega-regionals like the Trans-Pacific Partnership (TPP) or the Transatlantic Trade and Investment Partnership (TTIP) are ramping up, and other new plurilaterals may emerge along the lines of TISA and the environmental goods initiative. Whether these processes succeed or stumble, they will have a wide-ranging impact on how negotiators see trade reform. Meanwhile, the global economy is finally emerging from half-a-decade in crisis, and is eagerly looking for opportunities to move forward.

It is also important to remember that one of the WTO's key functions is as an arbiter of global trade rules. A quick glance at some of the more recent disputes brought to the trade body – covering topics from seal products, to fisheries, to renewable energy support policies – demonstrates the extent to which environment-related issues are increasingly intertwined with trade policy. Negotiators therefore might be advised to consider whether the WTO edicts from two decades ago match up with today's environmental policy landscape, and if not, where changes can be made.

In all the uncertainty ahead, what is clear is that the global economic landscape will continue to change, and quickly – WTO members can ill afford to let this Bali boost pass.



**Sofia Baliño**

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RENEWABLE ENERGY

# US launches new probe into China, Taiwan solar trade practices

*The solar energy market has proved contentious in recent years. In this latest round of spats, the US has set its sights on solar cells made in Taiwan, while China confirmed anti-dumping duties on US and South Korean solar-grade polysilicon.*

US officials have launched new investigations into Chinese and Taiwanese solar trade practices, in a move expected to rekindle tensions between Beijing and Washington. The investigations announced by the US Commerce Department last Thursday come in response to a December petition by SolarWorld Industries America, the US' largest solar panel manufacturer.

The company claims that China has managed to exploit a loophole in a 2012 trade case by using cells made abroad, mainly from Taiwan, in its production process – in effect avoiding US anti-dumping and countervailing duties.

Dumping refers to the practice of selling goods abroad at prices below their normal value. Countervailing duties are meant to combat unfair subsidies to producers and are also known as anti-subsidy duties.

"We are once again simply asking our trade regulators to investigate the facts and apply the well-established laws that enable free trade, robust competition, and lower long-term pricing," said Mukesh Dulani, president of SolarWorld, in December. "If fair competition can be restored, the US industry will return to growth."

China's Ministry of Commerce has urged the US to abandon the probe, and says it plans to follow the proceedings closely. Beijing will "resolutely safeguard [its] interests through various mechanisms," the ministry said in a statement published by media outlet Xinhua.

SolarWorld was one of the main proponents of the case that led to the original duties. Following a year-long investigation, the US Commerce Department had announced in 2012 that they had found evidence of both dumping and illegal subsidies, and would be imposing duties on Chinese-made solar cells to counter both.

These new investigations will focus on imports of certain crystalline silicon photovoltaic products, which are the basic component of solar panels, modules, and/or laminates. In 2012, imports from China and Taiwan of these products were worth US\$2.1 billion and US\$513.5 million, respectively, according to US data.

As before, Chinese producers will be investigated for both dumping and unfair subsidies. Taiwanese producers will only face an anti-dumping investigation. The US International Trade Commission (ITC) will make a preliminary injury determination by 14 February to evaluate whether the investigations will continue.

If the US ITC does find "reasonable indication" that such imports cause material injury to US producers – or threaten to do so – Commerce will then proceed with its investigation, and would announce preliminary countervailing determinations in March and its anti-dumping findings in June.

## US solar industry remains split

The new investigation has the support of the Coalition for American Solar Manufacturing (CASM), a group of seven US solar panel manufacturers that includes SolarWorld, and had backed the original 2012 Commerce case.

Not all of the US solar industry is on board, however, with downstream producers being among those to raise questions over whether these investigations actually cause more harm to US renewable energy production than good. Imposing duties on foreign-made cells, they say, can actually raise costs for US producers that use these cells as part of their overall manufacturing processes.

"We oppose [December's] escalation of the US-China solar trade conflict," said Rhone Resch, the president and CEO of the Solar Energy Industries Association, following the news of the SolarWorld petition. "It's time to end this conflict and negotiations must play a role."

The past two years have been fraught with arguments between the US and China over their renewable energy trade practices, particularly as US producers struggle against the influx of lower-priced Chinese products. China's solar industry has experienced its own downturn in recent years, though new reports are indicating a potential resurgence.

The EU had similarly sparred with the Asian giant over solar trade, with the two sides later coming to a "price undertaking" arrangement last year that resolved the disagreement. The US was not part of this final deal, despite Washington officials being involved in some of the discussions.

Under the terms of the agreement, participating Chinese exporters have committed to respecting minimum import prices. Non-participating Chinese companies will, however, be subject to a 47.6 percent average anti-dumping duty.

#### **China imposes duties on US, South Korean polysilicon**

In a separate development, China's Ministry of Commerce (MOFCOM) confirmed on Monday that it would be imposing anti-dumping duties on imports of US and South Korean solar-grade polysilicon, another ingredient used in making solar panels. Beijing had imposed provisional duties on these imports last July.

In the notice released on Monday, MOFCOM officials said that their investigation confirmed that there had been dumping of these products onto the Chinese market in the survey period, resulting in "substantial damage" to domestic industry. Furthermore, there is a "causal link between dumping and material injury," officials said.

US producers are also set to face anti-subsidy duties on these products, the Chinese ministry said in a separate announcement.

#### **Solar stakes**

With the low-carbon and energy-efficient technology market on track to triple by 2020, according to the United Nations Conference on Trade and Development (UNCTAD), the stakes are high in the battle for fair solar terms.

Last July China signaled its intention to more than quadruple solar generating capacity to 35 GW by 2015, which currently accounts for only a small part of the country's energy mix. The move appeared to respond to popular discontent over the hazardous smog that periodically engulfs major Chinese cities.

CLIMATE CHANGE

# European Commission announces 2030 climate, energy framework

*The European Commission's 2030 climate and energy framework proposal will succeed the bloc's current "20-20-20" goals. The latter set emissions reduction, renewables, and energy efficiency targets for the end of this current decade.*

The European Commission unveiled its 2030 climate and energy policy framework on 22 January, calling for a 40 percent greenhouse gas (GHG) reduction target below 1990 levels and an EU-wide binding renewable energy target of at least 27 percent.

European Commission President José Manuel Barroso set the package in the context of international negotiations under the UN Framework Convention on Climate Change (UNFCCC), which aims at nailing down a new climate deal by the end of 2015. UNFCCC Secretary-General Christiana Figueres welcomed the announcement on Twitter as a "positive signal for [a] meaningful 2015 agreement." But sceptics have pointed out that the EU is "setting a very low bar" for other countries ahead of the 2015 summit.

## GHG target under scrutiny

Barroso told journalists in Brussels that the GHG reduction target was both "ambitious and affordable." According to Climate Commissioner Connie Hedegaard, it puts the EU on a smooth path towards its 2050 goal of reducing emissions by 80-95 percent – although some observers dispute this.

But barely a week after joining his peers to announce the framework, Energy Commissioner Günther Oettinger spoke out against the GHG target, questioning whether it was feasible. "I have to be constructive as I am a member of a team but I am sceptical," the EU official said.

The 40 percent goal drew criticism however from developing countries, environmental groups and scientists who had called for a figure around or above the 50 percent mark. Ruth Davies, Political Director at Greenpeace UK said that "a 40 percent greenhouse gas target is simply not enough to set the pace towards a 2 degree global climate deal."

According to the Commission's own impact assessment, GHG emissions in 2012 were already 18 percent below 1990 levels, setting the EU on track to overachieve its 2020 target by 4 percent and lower 2030 emissions by 32 percent based on existing policies – only 8 percent below the proposed target.

In another twist, Hedegaard specified that GHG reductions after 2020 should be achieved through domestic actions alone. Experts suggest that by turning their back on the international offset market, the EU – the main buyer of credits from the UN's Clean Development Mechanism – risks putting a dampener on much-needed investments in emissions-reductions projects in developing countries.

Dirk Forrister, CEO of the International Emissions Trading Association, stated that under a meaningful climate deal "global markets are essential." The Commission's statement indicates that the use of international credits could be re-introduced if an ambitious global climate agreement is reached in 2015, which could then be coupled with a commitment to a steeper EU reduction target.

## Renewables disagreement

Critics voiced discontent over the new target's lack of ambition, finding it barely higher than a business-as-usual scenario – the EC's impact assessment suggests that renewable energy is already on track to reach a 24 percent share by 2030. Last month's announcement

indicated that the 27 percent figure would not be translated into binding country-level targets – a departure from current policy – leaving room for national preferences and circumstances.

Renewable energy groups expressed fear that the move would absolve member states from taking action, saying that the lack of binding renewables targets was a “disappointment.” Hedegaard emphasised however that without this flexibility, the new proposal would be “dead...politically speaking.”

The debate around renewables has seen member states vigorously battling for different sides. The UK, Poland, and the Czech Republic championed a “GHG cuts only” approach, while a last minute phone call to Barroso from Danish Prime Minister Helle Thorning-Schmidt, reportedly tried to salvage a binding national renewables goal, a stance supported by countries such as Germany and France among others.

Experts were also divided over the virtues of a renewables target. Robert Stavins of Harvard University's Environmental Economics Programme, has argued that a binding EU renewables target would counteract the market dynamics of the EU's Emissions Trading Scheme (ETS).

### ETS reform

Last month's announcement also included a legislative proposal for a market stability reserve for the EU's ailing ETS. Depressed global economic activity, over allocation of allowances, and an influx of international offset carbon credits have sent European Union Allowances' prices plummeting.

Following a [short-term fix](#) signed off early this year, which will withhold up to 900 million carbon permits from auctions until 2019-2020, the new framework recommended a more systematic panacea in the form of an “automatic stabiliser,” to be put in place by 2021. The mechanism would adjust the supply of allowances to be auctioned, operating independently under pre-defined rules.

The reform proposal was welcomed by some analysts, considering it long-overdue. But it falls short of measures proposed by some environmental groups, such as setting an expiry date on the surplus permits, or the creation of a “carbon central bank” that would respond organically to altering carbon prices.

### European energy concerns

In January, a Commission report indicated EU energy costs are twice those of the US, sparking competitiveness concerns in the growth- and jobs-hungry continent. A fortnight later, the International Energy Agency echoed the message, warning of elevated prices for at least the next two decades in the bloc.

Eager to explore new energy sources, countries such as Britain and Poland had lobbied hard to have the Commission ditch plans for EU-wide shale gas regulations – the new framework calls for non-binding environmental health and safety guidelines. The bloc's heavy reliance on fossil fuel imports comes at a high price – member states spent over €400 billion on oil and gas imports in 2012, representing around 3.1 percent of the group's GDP.

### Next steps

The Commission's framework will now be subject to scrutiny prior to endorsement by the bloc's leaders, possibly at the next European Council meeting in March. Once secured, a legal proposal will move through the EU's legislative bodies. Sources indicate the process may not be smooth, with diverging national climate and energy policies setting the stage for a tough debate.

An energy efficiency target was not included in the release. Under the 2012 Energy Efficiency Directive, a progress review towards the 2020 target will be carried out by June 2014 and the 2030 goal will not be set until after this date.

### ICTSD reporting

Additional sources, EUBUSINESS, RTCC, BUSINESSGREEN, EURACTIV



# The newroom

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## Wikileaks raises alarm on TPP environment roll-back

The anti-government secrecy website WikiLeaks on 15 January released what it says is a draft of the environmental text being discussed in the closely-guarded Trans-Pacific Partnership (TPP) negotiations – a group of twelve nations whose combined GDP amounted to US\$28.1 trillion last year, covering a market of 793 million consumers.

The [confidential documents](#) suggest there is a rift over environmental safeguards in the regional trade talks. According to the 24 November draft text, the US is facing opposition from its 11 Pacific-Rim negotiating partners on environment-related trade policy.

The chapter covers controversial trade topics, including illegal wildlife trade, shark finning, and logging. Environmentalists suggested the text indicates the US will retreat from its insistence on a variety of obligatory environmental protections in these areas. The document also touches on the sensitive subject of fisheries subsidies, featuring a proposal for partially allowing their use.

## Seals ban dispute enters WTO appeals stage

The high-profile WTO dispute on the EU's seal import ban has recently entered the next stage, with Norway and Canada appealing the panel ruling that had upheld the EU measure as justified on moral grounds. Despite its favourable outcome, Brussels is also appealing other aspects of the panel's report with which it disagrees.

Back in November, a dispute panel had granted Brussels a partial victory in the case. At issue is a 2009 European Commission regulation that bans the sale of seal products in all EU member states. Advocates for the measure say that it is necessary on the grounds of public morality, specifically regarding animal welfare, given the "inhumane" nature of commercial sealing operations.

In their original complaints, Oslo and Ottawa claimed that the ban unfairly discriminated against their industries, compared to sealing taking place in Greenland, Sweden and Finland. Norway also said that the ban complicated their sustainable management of marine resources.

## Faroe Island goes to WTO with EU fisheries dispute

The Faroe Islands has moved forward with its first-ever WTO dispute, requesting on 22 January that a panel be established to hear its complaint against the EU over restrictions imposed on the archipelago's fishing fleets. While the EU rejected the Faroese request, Tórshavn can file again, which would prompt the automatic establishment of a panel.

At issue in the dispute is an August 2013 regulation banning Faroese shipping vessels from EU ports and the importation of Faroese-caught mackerel and herring. Fish products constitute more than 95 percent of Faroese exports.

Brussels argues that these prohibitions are needed to protect fish stocks in the North Atlantic, after the Faroes exceeded the catch share of 30,000 tonnes that was offered under a joint management plan it has with Norway, Russia, Iceland, and the EU. In 2013, greater stocks within territorial waters led Faroese fishermen to increase their mackerel take to above 100,000 tonnes.

## Worst year on record for South African rhinos

Illegal poaching of South African rhinos spiked by almost 50 percent in 2013, officials in Pretoria announced in January, with 1,004 rhinos taken, equivalent of almost three animals per day. Notably, the number of rhino poaching-related arrests also climbed last year to 343, up from 267 in 2012.

The country has taken steps to curb the illegal trade, signing a Memorandum of Understanding with Vietnam in 2012, and another with China in 2013. It is in the process of developing others with Mozambique, Thailand, Laos, Cambodia, and Hong Kong. The agreements aim to encourage closer cooperation in law enforcement and compliance with international conventions.

The rise in rhino deaths will likely spark further debate around conservation approaches. Last month, a controversial permit to hunt a black rhino in Namibia was sold at auction for US\$350,000, with the proceeds intended to fund conservation projects for the endangered animal.

## Indonesia ushers in mineral export ban

Indonesia on 12 January implemented a controversial ban on exports of raw minerals in an effort to help stimulate domestic processing. The ban secures a law introduced in 2009 by the Indonesian government for all miners to process domestically by 2014.

Critics warned that the move could seriously threaten the country's nickel and bauxite US\$2 billion annual export revenue. In order to limit some of the initial economic pain, the government later approved changes to the law that will temporarily allow for the export of certain minerals.

While mineral ore exports such as nickel and bauxite have been banned outright, exports of so-called mineral concentrates - including copper, iron ore, manganese, lead, zinc, and ilmenite - will be permitted for the next three years, subject to a progressive export tax.

A moratorium on mineral concentrate exports will take effect from 2017 onwards. The ban was announced without clear written guidelines, with the resulting uncertainty quickly sparking concern among industry officials.

## Norway and Russia lock horns over fish safety

Russia has imposed major trade restrictions on fish imports from Norway that will affect 90 percent of products typically shipped from the Nordic country. Moscow has certified only 29 Norwegian fish suppliers for export to Russia in 2014, a precipitous drop from 515 that were given veterinary certification in 2013.

The restrictions, which took effect on 1 January, affect pelagic and demersal fish species such as herring, sprat, cod, haddock, capelin, mackerel, and others. Exceptions were made for trout and salmon, subject to strengthened veterinary control. Fish exports from Norway to Russia amounted to €691 million in 2013.

Russian officials said the applied measures are aimed at ensuring food safety for imported fish products.

Negotiations between Russia's Foreign Minister Sergei Lavrov and his Norwegian counterpart Børge Brende on 20 January have led to the agreement on the need for further discussion by Russian authorities and the Norwegian veterinary supervision body. It is not clear yet when this meeting will take place.

## EU member states sign off on short-term carbon fix

Early January saw EU member states signed off on a plan to withhold as many as 400 million carbon allowances from its Emissions Trading System (ETS) this year, in a move geared to prop up the bloc's struggling carbon market until a long-term solution can be found.

The Climate Change Committee's vote on 8 January, where all 28 EU member states were represented, marked the final stage in a process that began well over a year ago.

The regulation aims to address the overwhelming glut of carbon permits on the EU market, which has caused the prices of such allowances to plummet in recent years, discouraging investment in clean-energy technology. The regulation's terms indicate that 900 million allowances will be withheld from auction from the years 2014-2016, to be reintroduced in 2019 and 2020.

The exact number held back in 2014 will depend on the quarter in which the implementation of the proposal begins. For instance, 400 million allowances could be withdrawn this year if the process is done by March, but would fall to 300 million if this starts between April-June.

## EU Parliament rejects ban on bottom trawling

European Parliamentarians on 10 December voted against a proposed ban on bottom trawling, a fishing technique that involves dragging huge nets along the bottom of the ocean floor. Environmental groups say the process destroys marine habitats and fragile deep-sea fish populations. Industry representatives argued that a complete ban would cost thousands of jobs.

MEPs instead opted for a compromise solution proposed by the Parliament's Fisheries Committee, which will put an end bottom trawling in areas containing sponges, coral, and other vulnerable marine ecosystems. The compromise also involves a formal review of the impact of deep-sea fishing methods.

The EU Commission will now compile a list of areas containing vulnerable marine ecosystems. These areas will be off limits to EU vessels if they are located on the high seas, and will be prohibited to all vessels if they are within the EU's maritime zone.

The final compromise brings European law in line with regulations in other countries.

# Publications and resources



## **Agricultural Export Restrictions and the WTO – ICTSD – November 2013**

This paper examines the likely trade, food security, and development implications of various options for disciplining agricultural export restrictions. At the core of the paper, six alternatives are presented for an agreement to modify current disciplines on the temporary use of export restrictions for agricultural goods, in the event of sudden and rapidly soaring international prices.

The paper can be found at <http://bit.ly/KF52yL>



## **Searching for Sustainability: Comparative Analysis of Certification Schemes for Biomass Used for the Production of Biofuels – WWF – November 2013**

Using the WWF Certification Assessment Tool (CAT), the study assesses the certification standards for biofuels accepted by the EU. The results seek to offer an overview, as well as comparison of, the strengths and weaknesses for each standard, from which the authors propose recommendations on improving environmental and social performance. The study concludes with reflection on the EU Renewable Energy Directive (EU RED) legislation.

The study can be found at <http://bit.ly/1eRTb99>



## **International Trade and Access to Sustainable Energy – ICTSD – December 2013**

This paper makes the case for addressing trade barriers to sustainable energy goods in order to provide comprehensive energy access in the developing world. Using specific examples such as solar technologies and associated products, the paper examines a number of domestic policy and market bottlenecks that stifle growth and rate of uptake in these goods. The paper concludes by exploring how some of these trade-related barriers could be addressed, particularly within the context of a sustainable energy trade agreement.

The paper can be found at <http://bit.ly/1hL2jil>



## **Transforming the APEC Outcome on Environmental Goods into a Broader Sustainable Energy Trade Initiative – ICTSD, GGI – December 2013**

This paper provides options for transforming the Asia-Pacific Economic Cooperation (APEC) agreement on environmental goods liberalisation into a more comprehensive Sustainable Energy Trade Initiative (SETI). It suggests the first two phases would involve fulfilling and expanding the existing APEC pledges, while a final phase would seek to transform this voluntary initiative into a binding sustainable energy trade agreement.

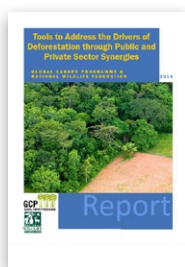
The paper can be found at <http://bit.ly/1eymlq0>



## **Removing Trade Barriers on Selected Renewable Energy Products in the Context of Energy Sector Reforms – ICTSD, GGI – December 2013**

This paper aims to demonstrate what happens to a number of economic and environmental variables such as exports and imports, carbon emissions, energy and electricity prices, employment generation and income, when import tariffs as well as local content measures (LCRs) for renewable energy equipment are removed under different scenarios. The analysis puts forward that LCRs restricting imports may not be required for the sustained growth and trade of renewable energy equipment.

The paper can be found at <http://bit.ly/1kXhTMT>



### **Tools to Address the Drivers of Deforestation through Public and Private Sector Synergies – Global Canopy Programme and National Wildlife Federation – December 2013**

This report summarises the outcomes of a cross-sectoral workshop held in April 2013, which sought to address the drivers of deforestation and degradation, namely, agricultural production for domestic and international supply chains. Participants explored a range of potential options for tackling these drivers, and the report proposes a toolbox that leverages the actions of governments, business, and civil society.

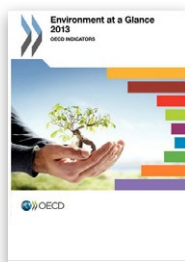
The report can be found at <http://bit.ly/1kXyC2w>



### **Guidance Manual on Value Transfer Methods for Ecosystem Services – UNEP – December 2013**

This guidance manual aims to show how the value of ecosystem services can be estimated. Targeting a wide audience of conservation managers, government officials, private sector managers, NGOs, and statisticians, the manual is also designed to show how such valuations can inform decisions made as part of steps towards a green economy.

The manual can be accessed at <http://bit.ly/1aqeJNs>



### **Environment at a Glance 2013: OECD Indicators – OECD – January 2014**

This publication series provides an overview of various environmental trends in OECD member countries, dating back to the early 1990s. The report is organised by issue, such as climate change, biodiversity, and water resources. This year's edition suggests that while progress has been made in some areas such as air pollution, transport, and biodiversity protection, more work is required to protect and sustainably use natural resources.

The report can be found at <http://bit.ly/1e4sgL6>



### **Extinction Risk and Conservation of the World's Sharks and Rays – eLIFE – January 2014**

This study presents a systematic analysis of threat to chondrichthyan fish – sharks, rays, and chimaeras. The authors estimate that one-quarter of these species are threatened, according to IUCN Red List criteria, due to overfishing (targeted and incidental). The study contends that population depletion has occurred throughout the world's ice-free waters, but is most prevalent in the Indo-Pacific Biodiversity Triangle and Mediterranean Sea.

The study can be found at <http://bit.ly/1fth4Ve>



### **The Green Goods Agreement: Neither green nor good? – IISD – February 2014**

In January 2014, on the sidelines of a World Economic Forum meeting in Davos, 14 World Trade Organization members announced plans to launch talks aimed at lowering barriers to trade in environmental goods. This short commentary assesses the chances that the agreement will achieve significant environmental impacts and argues that the institutional needs of such an agreement present a variety of challenges.

This paper can be found at <http://bit.ly/1cTxdF9>

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