

# BRIDGES WEEKLY

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## CLIMATE CHANGE

# World Leaders Outline Plans to Tackle Climate Change

Tuesday's much-anticipated UN climate summit in New York saw 125 heads of state take the opportunity to highlight their national climate efforts, while unveiling a raft of new financial commitments in this area.

Among others, these included the mobilisation of US\$200 billion for financing low-carbon and climate resilient development, calls for carbon pricing, a declaration to halt deforestation, and a promise to scale up renewable energy access in Africa and small island states.

The largest-ever gathering of world leaders on climate change took place at the invitation of UN Secretary-General Ban Ki-moon, who urged participants to act in order to "set the world on a new course."

The meeting also aimed to build momentum around a global climate agreement, which governments hope to hammer out by next December. The planned deal, which would take effect from 2020 onward, would be geared towards keeping world temperatures below a two-degree Celsius rise compared with pre-industrial levels.

Conducted under the UN Framework Convention on Climate Change (UNFCCC), the next major round in these talks will be in December in Lima, Peru, with technical meetings set for October.

Many leaders on Tuesday reaffirmed their commitment to agree to a meaningful deal through the UN process, including by reaching a first draft in time for Peru, and by outlining their national contributions by the first quarter of 2015. (See BioRes, [17 June 2014](#))

### Reining in emissions

The climate fanfare follows repeated warning from scientists, such as those from the UN's Intergovernmental Panel on Climate Change (IPCC) on the damaging consequences of ballooning emissions. (See BioRes, [14 April 2014](#))

A number of countries on Tuesday outlined their current efforts to cut greenhouse gas (GHG) emissions, including calling for these to peak before 2020, and a desire to achieve climate neutrality by the second half of the century.

The EU, represented by outgoing Commission chief José Manuel Barroso, said it would reduce emissions by 40 percent below 1990 levels by 2030. The promise augurs well for an October meeting of EU heads of state where the bloc plans to agree to its climate regime for 2020-2030.

For his part, US President Barack Obama affirmed that his country was on track to cut its emissions by 17 percent by the end of the decade from 2005 levels, and that his Administration would continue to implement climate policies such as the recently-announced move to cut emissions from existing domestic power plants. (See BioRes, [9 June 2014](#))

"The climate is changing faster than our efforts to address it," the US leader warned, calling for more to be done.

Obama said that the new global deal must move past the rich-poor country divide in the current regime to include emerging economies, adding that he had just met with China's vice premier Zhang Gaoli on the subject.

China, whose carbon emissions now outstrip those of both the EU and the US combined, signalled a willingness to make sure its emissions peaked "as early as possible." The Asian giant does not currently have an absolute cap on emissions, an issue that many experts deem critical to the UN climate talks. Media reports earlier this month indicated that Beijing is preparing to put in place a national carbon market from 2016. (See BioRes, [12 September 2014](#))

Carbon prices and market-based emissions trading schemes have both gained traction in recent years as viable policy tools. Ahead of Tuesday's summit, some 73 countries, regional governments, and more than 1000 business figures – collectively responsible for 54 percent of world greenhouse gas (GHG) emissions – [signed on](#) to support carbon pricing initiatives.

The New York gathering also saw the announcement of new initiatives to tackle particularly potent and escalating greenhouse gases, including calls by over 20 countries and 10 international organisations for the launch of formal negotiations for an amendment under the Montreal Protocol to phase out the use of hydrofluorocarbons (HFCs).

### **New climate economy**

Fears that strong climate legislation could hinder further growth and development, harm export competitiveness, or cause industries to move overseas to less stringent climate regimes – known as carbon leakage – have been tricky to navigate in international negotiations.

Among the thematic discussions held Tuesday, [one panel](#) looked at the economic case for climate action. The session drew on the [New Climate Economy](#) report, released prior to the conference by a panel of world leaders and experts.

"The New Climate Economy report refutes the idea that we must choose between fighting climate change or growing the world's economy. That is a false dilemma," said former Mexican President Felipe Calderón, chair of the commission that produced the report.

The report argues that the next 15 years will mark a critical phase in world development. Fundamental shifts such as mass migrations to urban centres and rapid technological advances could see up to US\$90 trillion invested in urban, land use, and energy system infrastructure in that period. The direction of these investments will likely determine the shape and health of the global economy.

The study also includes a section on the role of trade agreements in buoying the world's green transformation. Efforts to speed up the resolution of WTO disputes around low-carbon trade are called for, as well as language in regional trade agreements to boost green commerce.

Spats around renewables trade have become increasingly frequent both at the WTO and elsewhere, raising questions around how governments design sustainable energy support policies.

A group of 14 WTO members – including the US, EU, and China – is currently in the early stages of negotiating an Environmental Goods Agreement (EGA), which would slash tariffs on select green goods. The move has been billed by participants as an effort from the trade world to contribute to tackling climate change. (See BioRes, [15 July 2014](#))

### **Climate cash flow**

As predicted by climate watchers, Tuesday's meet included a number of financial pledges earmarked to scale-up climate action and cope with the impacts that are already locked in.

A combination of announcements from governments, the investment community, and institutions promised US\$200 billion would be made available by the end of 2015.

The new financial commitments include US\$30 billion in climate finance from commercial banks in the form of green bonds by 2015 and a promise of US\$3 billion channelled from the EU to developing countries between 2014-2020.

A total of US\$2.3 billion in financial pledges was made to a Green Climate Fund (GCF) from six countries, with a further six indicating that a contribution announcement would follow later this year. A new US\$1 billion offer for the GCF from France for 2015-2018 was among the largest made on Tuesday.

The GCF is designed to boost a low-carbon transition in developing economies and help the world's poorest deal with the impact of climate change. The fund is also supposed to assist developed countries in coming through on a 2009 pledge to set aside US\$100 billion per year by 2020 in climate funds, with US\$10 billion a year as "fast start" financing for the period 2010-2012.

It is still not quite clear, however, what portion of the climate finance pledge will be managed by the green fund.

### **Good news for forests, agriculture, renewables**

A boon for forests came on Tuesday as more than 130 governments, companies, civil society groups, and indigenous peoples endorsed a [New York Declaration on Forests](#), which for the first time promises to end forest loss by the end of 2030, along with restoring over 350 million hectares of forest and croplands.

These actions, if undertaken, could cut between 4.5 and 8.8 billion tonnes of carbon dioxide annually by 2030, according to a [UN press release](#) – equal to removing one billion cars from the road.

Other commitments at Tuesday's summit included over 20 governments and 30 organisations signing up to [new actions](#) under the UN's Global Alliance for Smart-Agriculture, which seeks to build food systems capable of handling a changing climate.

The summit also witnessed a collective pledge from public and private actors to channel over US\$50 billion away from fossil fuel investments and into new energy sources during

the next three to five years. Sending market signals such as shifting funds away from fossil fuel projects plays a role in transitioning to a cleaner energy mix, economists say.

Separately, a coalition of governments and stakeholders announced [two initiatives](#) set to expand access to renewable energy for eastern and southern African economies, as well as small island developing states.

### **Peru and beyond**

Not all were complimentary of Tuesday's proceedings, with Nelson Mandela's widow Graça Machel among those warning that the rhetoric did not match the scale of the problem. As the dust settles, time will tell whether sufficient momentum has been built to navigate the tricky climate negotiations ahead.

"Climate2014 Summit closes with a vast array of action announcements. This is wind in the sails of the UNFCCC process!" UNFCCC Secretariat chief Christiana Figueres said on social media site Twitter, seemingly confident of the boost the summit provided.

Meanwhile, French President François Hollande said next year's Paris meeting would be a pivotal moment.

"Paris is a city where a large revolution once took place and in December 2015 there should be another revolution around climate change," the French leader concluded.

ICTSD reporting; "Finance finally on horizon for UN's Green Climate Fund," RTCC, 15 September 2014; "China drives world carbon emissions to a record high," REUTERS, 21 September 2014; "Rockefellers join anti-fossil fuel drive," FINANCIAL TIMES; 22 September 2014; "7 areas of climate action at the UN climate summit," RTCC, 23 September 2014; "Climate summit ends with rebuke to leaders," THE FINANCIAL TIMES; 24 September 2014.

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## AFRICA

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# East African Trade Ministers Reach Consensus on EPA, Bringing Process Near Close

[Updated] The five members of the East African Community (EAC) – Burundi, Kenya, Rwanda, Tanzania, and Uganda – reached consensus on the draft Economic Partnership Agreement (EPA) following a ministerial meeting in Arusha. To date, discussions to finalise the deal's terms with the EU are still ongoing. Brussels has already concluded two other such agreements involving African country blocs in July.

"We were able to agree and all of us were able to sign on to the economic partnership draft," Kenyan Foreign Affairs Cabinet Secretary Amina Mohammed told reporters following the decision, which occurred after a ministerial meeting of the EAC bloc in Arusha, Tanzania. Further meetings are scheduled this week to finalise the agreement, Mohammed added.

The process to establish EPAs between the EU and various regional groupings of African, Caribbean and Pacific (ACP) countries began over a decade ago, with the goal of ensuring trade reciprocity, promoting sustainable development, and advancing integration between the parties involved.

In the case of Africa, two regional EPAs – those involving the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC), respectively – were concluded this past July.

"SADC has signed and ECOWAS has signed so we're the last ones to it but it's also safe to say that we probably got a very good deal," Mohamed said.

Even with the EAC development, however, some uncertainty remains regarding how the EU will treat East African exporters from 1 October onward. This date is the deadline that the European Commission established three years ago for withdrawing the market access regulation "MAR 1528," which currently provides duty-free, quota-free (DFQF) market access to ACP countries.

Some [analysts](#) have warned of an elimination of preferential margins between 1 October and the signature and ratification of the EAC EPA, which are the next steps in the process. [Others](#) have suggested that it would be enough for these East African countries to have initialled the agreement before the deadline in order to preserve their DFQF access to the European market.

### Export taxes as sticking point

A week before the meeting, the EAC's chief negotiator Karanja Kibicho said that the Eastern African bloc "will remain firm on the issue of taxes on exports."

In this context, he affirmed that the EAC was planning to negotiate with Brussels how long it will be allowed to maintain export taxes. Moreover, Kibicho specified that the proceeds from the taxes on raw materials would be channelled to the development of infant industries, food security, and currency stabilisation.

The political dimension of export taxes has been one of the most contentious issues in the EPA talks. Export taxes are perceived to be trade-distorting by some countries, while others insist on maintaining some policy space for their use, given their potential as a tool for industrial development.

The latter position has been questioned by some [experts](#), who argue that there is little evidence on the welfare effects of export taxes. Since the text of the draft EAC EPA is not yet publicly available, it could not be determined how negotiators resolved this contentious issue.

As an indication of how export taxes were addressed in other agreements, the European Centre for Development Policy Management's (ECDPM) [comparative analysis of the SADC and ECOWAS EPAs](#) shows that both agreements contain flexibility provisions for countries to apply export taxes in exceptional circumstances – such as for specific revenue needs, the promotion of infant industries, or for environmental protection.

While the ECOWAS deal allows for temporary export duties on a limited number of products after consultation with the EU, the SADC version contains more specific provisions on export taxes which can be levied during a maximum of 12 years and for up to eight (HS6 tariff line level) product categories.

However, the SADC partners have also committed to ensuring that their export taxes do not reduce supply on the European market below current levels in the first six years and below 50 percent of current levels in the remaining six years. Therefore, the ECDPM concludes that – at least in the short term – export taxes “may have only little effect to retain inputs for local production.”

### **Non-execution clause**

Until recently, sources indicated that East African leaders were hesitant to sign a trade agreement that includes a non-execution clause – in other words, a clause that permits the deal's suspension in instances of proven human rights violations.

A non-execution clause would entitle the European Commission to take trade measures against partner countries failing to abide by the principles of human rights, democracy, and good governance. These measures are aimed at strengthening criminal justice both at the domestic level in Africa and globally with the International Criminal Court (ICC).

Lately, the East African region has been confronted with a series of allegations of human rights violations. For example, in 2011 the ICC decided to press charges against current Kenyan President Uhuru Muigai Kenyatta for crimes against humanity in the aftermath of the election-related violence seen in December 2007. A hearing on how to proceed with the trial is scheduled for early October in the Hague, though whether Kenyatta would attend was still unclear at the time of this writing.

Based on the documents available, it could not be assessed whether human rights issues are explicitly addressed in the draft EAC-EU EPA. With respect to the SADC and ECOWAS agreements, the ECDPM found that both EPAs “do not contain an explicit non-execution clause,” noting instead that the deals refer to the Cotonou Agreement “with no specific [mention of] human rights or the rule of law.”

### **High stakes for Kenya**

The pressure for concluding the EPA negotiations is particularly high for Kenya, which is the only economy in the region that is not a least developed country (LDC). If the European and East African negotiators do not manage to secure a deal, Kenya would have incurred high costs due to the elimination of preferential margins, given that it would have

shifted to the EU's Generalised System of Preferences. Meanwhile, LDCs would have continued to benefit from DFQF access to the EU under the Everything But Arms regime.

[Analysts](#) suggest that the potential move to the GSP could expose Kenya to an immediate 12 percentage point surge in duties for all products entering the EU.

The Kenyan flower industry, which accounts for approximately 25 percent of national GDP, was [reported](#) to be highly concerned about a potential failure of the EPA negotiations. Specifically, the Kenya Flower Council feared market share losses because competitors such as "Colombia, Tanzania, Uganda, Rwanda, Burundi and Ethiopia [would have] continue[d] to enjoy their duty free-status."

### **Challenging transition to implementation**

Given the protracted nature of the negotiations, along with the results seen in the case of more mature agreements such as the CARIFORUM-EU EPA, [experts](#) have suggested that the implementation of the trade deals may pose its own series of challenges.

The CARIFORUM group, which is made up of 15 Caribbean countries, signed an EPA with the EU in 2008. In the years since, only some member states in both regions have ratified the agreement. In addition to this asymmetry, several years passed before the envisaged development cooperation was put into operation through programmes and projects.

Furthermore, besides needing to amass the necessary political will to implement an EPA, ACP governments also need to have sufficient public revenues, which has not been the case during the most recent financial and economic crisis.

*Correction: A previous version of this article misstated the status of the EAC talks with the EU. Negotiations with Brussels are still ongoing; the developments in Arusha relate instead to a ministerial-level agreement reached among EAC ministers.*

ICTSD reporting; "EAC Five sign EU trade deal," THE STAR, 22 September 2014; "EAC strikes economic partnership deal to join EU," CAPITAL NEWS, 21 September 2014; "Global court orders Kenyan president to attend hearing," REUTERS, 20 September 2014; "Civil Society raises concerns over EAC-EU trade deal," THE STAR, 16 September 2014; "Region gets closer to deal on trade with EU," THE EAST AFRICAN, September 13, 2014; "Africa in the News: EAC Debates EU Trade Agreement," BROOKINGS, 12 September 2014; "Roundup: Kenya says EAC-EU trade talks to conclude before deadline," XINHUA NEWS AGENCY, 11 September 2014; "Uganda court annuls anti-homosexuality laws," BBC, 1 August 2014.

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## WORLD TRADE ORGANIZATION

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# WTO Chief Warns of Potential “Freezing Effect” as TFA, Food Stockholding Deadlock Persists

Failing to resolve the impasse over whether to link implementation of the WTO’s Trade Facilitation Agreement (TFA) with finding a permanent solution on public food stockholding could pose grave consequences for the global trade body, including for efforts to resolve the Doha Round trade talks, Director-General Roberto Azevêdo said this week.

“The [Bali] package delivered big gains for WTO members and it opened a new chapter in our negotiations,” Azevêdo said in Geneva on Monday during a [speech](#) at the UN Conference on Trade and Development, referring to the agreement reached in the Indonesian island province last December. “However, now this is all at risk.”

The Bali package included the TFA itself, along with a set of decisions relating to developing country issues and agriculture. One of the other decisions reached at the time included an “interim solution” on the public food stockholding question, which essentially committed WTO members to refrain from challenging existing versions of those programmes while a permanent solution was being negotiated for adoption at the eleventh ministerial conference in 2017.

WTO members were meant to adopt in July a Protocol of Amendment that would have incorporated the TFA into the organisation’s legal framework – an essential step in the ratification process. However, plans to adopt the Protocol were put on hold after India insisted on seeing more progress toward a permanent solution on food stockholding, and suggested linking the two processes. (See Bridges Weekly, [31 July 2014](#))

Furthermore, New Delhi said at the time, a permanent solution should be reached by the end of this year, rather than by the originally-planned 2017 date. Without a permanent solution, India said, it would not back the implementation of TFA.

In his remarks on Monday, Azevêdo acknowledged that there is “no formal or legal linkage” between the TFA and food stockholding issues. However, he continued, “we cannot deny that there is an important political link bringing them together.”

A solution, he added, would likely allow broader global trade negotiations to continue. Failure, however, would mean that many areas of the WTO’s work “may suffer a freezing effect, including the areas of greatest interest to developing countries, such as agriculture.” The other decisions reached in Bali, such as those that relate to least developed countries (LDCs), could also be at risk.

Regarding agriculture, the trade chief said, there are a whole host of issues – such as reducing trade-distorting support, improving market access conditions, and eliminating all forms of export subsidies – that could very well go by the wayside should the current impasse continue.

“The question that WTO members are trying to answer is not whether members can ensure their food security but rather under which commonly agreed disciplines they can



implement policies to achieve this goal without further distorting trade or aggravating the food security of third countries," he noted.

This is why experts say that a Doha deal is key to creating a "more favourable global environment for food security," the trade chief continued.

"Failing to agree on new rules for twenty years is a very disturbing record," said Azevêdo. "Considerably graver than that is not being able to implement what has been finally agreed only a few months earlier."

### **Ag, NAMA negotiating groups see "no consensus" on post-Bali work**

Discussions in some WTO negotiating groups this past week on post-Bali work – in other words, addressing issues that were not covered in the December 2013 trade deal – have struggled to advance, sources confirmed to Bridges.

WTO members have until the end of this year to outline a Doha Round "work programme" that would address those issues that did not find resolution in Bali, as well as those that did not yield legally binding outcomes.

At an informal meeting on Monday of the group dealing with non-agricultural market access, or NAMA, Swiss ambassador Remigi Winzap – who chairs the group – reportedly told members that there appears to be no consensus on how to move forward in the negotiations on post-Bali work.

Some members, including the US, Japan, and the EU among others, reportedly said that work on topics such as NAMA cannot advance due to the loss in trust brought on by the failure to adopt the TFA Protocol.

China, India, Egypt, and South Africa were among those that spoke in favour in advancing efforts to develop a Doha Round work programme, despite the TFA situation.

Discussions at an informal meeting the following day of the Committee on Agriculture's "special session," which is tasked specifically with agriculture-related negotiations, showed a similar divide.

In this instance, approximately 18 members spoke in objection to TFA implementation being side-lined. While some referred to the issue of lost trust, others spoke more specifically of the need to stick to Bali-mandated timelines.

The fear that some of the other Bali decisions, such as those related to the WTO's poorest members, might be put on hold as well was reportedly raised by Uganda on behalf of the LDC Group. Argentina, for its part, stressed the importance of addressing export subsidies, given recent drops in farm product prices.

New Zealand Ambassador John Adank, who chairs the special session, noted that at the current time, "there is no consensus" on how to advance work in the committee unless the stalemate is resolved.

### **Obama-Modi meeting to yield advances?**

Given the difficulties in resolving the stalemate, next week's meeting in Washington of US President Barack Obama and Indian Prime Minister Narendra Modi is being increasingly looked to as an opportunity to potentially break the deadlock.

Some sources have cautioned against putting too much stock in the 29-30 September meeting, given that the two leaders have a broad agenda of issues to tackle. (See Bridges Weekly, [10 September 2014](#))

However, US Assistant Secretary of State Nisha Biswal affirmed last week that the TFA situation would “certainly” be among the topics addressed, telling reporters that implementing the deal is key for Washington.

Meanwhile, observers have cautioned that the longer the impasse, the more likely the US and other major players are to focus their attention on other initiatives outside the global trade body, such as the Trans-Pacific Partnership (TPP) talks.

In a [symposium](#) last week in Washington, US Trade Representative Michael Froman noted that updating global trade rules has become “increasingly difficult,” saying that one of the barriers to doing so “has been the emergence of emerging economies that have been unwilling to date to assume enhanced responsibilities commensurate with their increased role in the global economy.”

Citing the example of the Trade Facilitation Agreement, the US trade chief warned that blocking the deal's implementation would prevent both developing and developed countries alike from reaping the benefits of streamlined customs and border procedures.

“In the face of these challenges, we must keep moving forward and working with others who share our commitment to setting higher standards,” he said, highlighting the US’ efforts in other trade negotiating areas – particularly the 12-country TPP talks – as an example.

ICTSD reporting; “US to press India on WTO trade pact during Modi’s Washington visit,” *BUSINESSTODAY*, 18 September 2014.

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## INTELLECTUAL PROPERTY

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# WIPO Assemblies Aim to Advance Norm-Setting, Amid Governance Questions

The World Intellectual Property Organization's (WIPO) annual high-level meetings kicked off on Monday in Geneva, Switzerland, with this year's Assemblies set to tackle a broad range of issues facing the 187-member organisation, particularly in the area of norm-setting.

In his opening [speech](#) on Monday, WIPO Director General Francis Gurry acknowledged that progress in the organisation's norm-setting efforts had slowed over the past year. In this vein, he urged countries to agree on "concrete schedules of work that will guide the Organization towards successful completion of the mature projects" that have been under discussion for several years.

These include, among others, a proposed design law treaty; an agreement aimed at the protection of broadcasting organisations; and legal instrument(s) protecting traditional knowledge, traditional cultural expressions, and genetic resources.

Gurry also emphasised the role of newer cooperation platforms developed in recent years, such as global intellectual property (IP) databases, IP classification systems, and arrangements for public-private partnerships. He regretted that such platforms tend to be overlooked, given that these could be "as effective in advancing international cooperation as treaties."

Furthermore, he said, these platforms provided "very good examples of the implementation of the objective of the Development Agenda of mainstreaming development," referring to a series of 45 [recommendations](#) that were adopted by the UN agency in 2007 with that goal in mind.

The WIPO chief, who was re-elected in May for a second six-year term, also noted the organisation's sound financial health. This comes as a result both of the significant increase in membership, as well as the use of the UN agency's global intellectual property registration systems. These include, for instance, the Patent Cooperation Treaty (PCT), the Madrid System for the International Registration of Marks, and the Hague System for the International Registration of Designs.

These systems combined account for 95 percent of WIPO's revenue, which amounted to 680 million Swiss francs (US\$724 million, at current exchange rates) in 2012-2013.

### Gaps in country positions

General statements made by regional groups and countries at the meeting's opening session reflected noticeable gaps in positions on a number of key issues, particularly with regards to norm-setting.

Regarding the text of a proposed Design Law Treaty intended to simplify and harmonise registration of industrial designs, the EU urged countries to "move to the next phase" by convening a diplomatic conference, which is WIPO's highest level of negotiations.

However, Algeria said there is still "a legitimate demand" for a technical assistance provision within the treaty, a position that was supported by Iran. The US, in turn, said

that "any outcome relating to technical assistance should be decided at the Diplomatic Conference and not at the General Assembly session."

The future of discussions at the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC) was also raised. The IGC was established over a decade ago, in response to concerns by biodiversity-rich countries and indigenous peoples regarding the misappropriation of their genetic resources and associated traditional knowledge.

Many developing countries considered that the texts under consideration by the IGC were "sufficiently mature" in order to convene a diplomatic conference. This would, in turn, lead to the adoption of legally binding international instrument(s) aimed at protecting traditional knowledge, traditional cultural expressions, and genetic resources.

The African Group, for instance, pointed out that IGC process affects aspects of the Design Law Treaty, and suggested that the IGC be finalised first.

For the US delegation, countries were far "from agreement on even the most fundamental provisions in the draft texts" and thus considered a diplomatic conference on these IGC texts to be "premature." The US indicated that it would oppose any General Assembly decision that would set any specific timeframe or date for a conference on any of the IGC draft texts.

Other norm-setting issues discussed include the revision of the Lisbon Agreement on Appellations of Origin and the protection of broadcasting organisations.

### **Governance, institutional matters**

Along with norm-setting, a number of institutional and governance matters are expected to play a prominent role in this year's Assemblies, and were raised during the first day's talks. Member states are, for instance, seeking to agree on guidelines for the location and establishment of WIPO's external offices.

More broadly, Germany indicated that "careful consideration should be given to the topic of WIPO governance," suggesting that members use the rationalisation of the management of the organisation's meetings and documentation as a starting point. Algeria proposed a structured process of discussion to look into ways to improve governance.

The continued implementation of the 2007 WIPO Development Agenda (DA) recommendations was mentioned as a priority by many delegations. To mainstream the Development Agenda, Thailand and Sri Lanka sought a clear definition of the term "development expenditure."

The US recalled that the UN agency's role as spelled out in the WIPO Convention is "to promote the protection of IP," adding that this objective has not been changed by the Development Agenda. Instead, the US said, the DA was intended "to ensure that development considerations form an integral part of WIPO's work," rather than to obstruct such work.

The WIPO Assemblies will be ending on 30 September. Bridges will provide an update in next week's edition on the outcome.

ICTSD reporting.

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## CLIMATE CHANGE

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# EU Environment Committee Lawmakers Approve "Carbon Leakage" List

The European Parliament's environment committee voted on Wednesday in favour of giving away free carbon permit allowances – equivalent to €5 billion – to a select group of heavy industries within the 28-country bloc, in an effort to discourage them from moving production abroad to countries with lower environmental standards.

The specified European industries that would receive such allowances range from relatively low emitters, such as frozen potato chip producers, to larger emitters such as steel plants, and together are referred to as the "carbon leakage" list.

The vote follows a European Commission proposal in May that suggested allowing these 175 industry sectors to continue receiving allowances without penalty from 2015-2019 in order to comply with legislation mandated by the EU Emissions Trading System (ETS).

The Commission's initial proposal was met by staunch opposition from Bas Eickhout, Dutch Green Member of European Parliament (MEP), who argued that the carbon price used to determine which industries should receive such allowances – €30 per tonne – was too high, given market realities.

"Sectors that are not at all exposed to the risk of carbon leakage are now receiving free allowances," he said in [an interview](#) ahead of the vote. "The price is far too high and puts sectors on the list that don't belong there."

Eickhout's objection ultimately lost by a narrow margin, with 34 against, 30 in favour, and 4 abstentions.

In addition to the Greens, Eickhout had reportedly received backing prior to the vote from members of the European People's Party (EPP), the Confederal Group of the European United Left (GUE), and Europe of Freedom and Direct Democracy (EFDD), in sum comprising approximately half of MEPs.

Environmental proponents such as Sam Ven Den Plas of WWF were sceptical of the EU's reassessment. "With this proposal Europe is handing a blank cheque to these industries and going against the EU's polluter pays principle," said Ven Den Plas.

The proposal must next be approved by EU member states in order to become law.

### Policy apprehension

The idea of offering free allowances was proposed to address concerns about distortions in competitiveness and carbon leakage, namely due to a fear that European industries may lose market share to firms in countries with less stringent climate regulations, and thus may relocate their operations to the latter.

However, a recent [study](#) by European consultancy group EcoRys found no evidence of carbon leakage when defined as production relocation. Some investment relocation can be

observed and carbon costs may be one of the reasons, the study said. However, when compared to other drivers carbon costs play a minor role in investment decisions.

Separate findings by the [International Energy Agency](#) (IEA) released in January predict a loss of one-third of European global market share of energy-intensive exports over the next twenty years – due primarily to EU climate change policies. IEA chief economist Fatih Birol expects European energy prices to continue to rise, widening an already significant price gap between Europe and the US.

Birol further highlighted the need for Europe to find a way to address both competitiveness and climate policy alike.

### **An ailing market**

The EU ETS was created in 2005 as a framework to cut emissions of greenhouse gases and currently affects more than 13,000 power plants, factories, and airlines across the continent.

By capping the total emissions allowed within the bloc, companies are allocated allowances – or permits sanctioning a pre-determined quantity of greenhouse gas emissions (GHG) adding up to the total amount – which they must put forward for each tonne emitted. Allowances can also be traded with other businesses, thereby incentivising GHG reductions.

However, carbon prices within the EU ETS have fallen dramatically over the past few years. Prices, which were at above €30 a tonne in 2008, are just a mere €6 at present, inciting many environmental proponents to campaign for a significant reduction in the free provision of allowances in an effort to encourage investment in low-carbon technology and to regain market efficacy.

In January, EU member states endorsed a plan to withhold as many as 400 million carbon allowances from its ETS for the coming year, a short-term solution aimed at propping up the bloc's struggling carbon market. The agreement marked the final phase of the EU's so-called backloading proposal. (See BioRes, [15 January 2014](#))

While the Commission plans to reform the current system in the coming years, analysts predict that prices will not rise to more than €10 a tonne by 2020.

Earlier this year, the Commission announced a draft 2030 climate and energy policy framework calling for, among other actions, a 40 percent GHG reduction target below 1990 levels and the introduction of an "automatic stabiliser" to be put in place by 2021 in order to adjust the supply of allowances to be auctioned. (See BioRes, [7 February 2014](#))

Wednesday's vote followed close on the heels of the UN climate summit in New York, where leaders from government, business, finance, and civil society gathered in an effort to "raise ambition, mobilise resources, and generate action towards a universal climate deal." (For more on the UN meeting, see lead story, this edition)

During the UN meet, a group made up of 73 countries; 22 states, provinces, and cities; and over 1000 businesses [backed a price on carbon](#). The governments in this group, known as the World Bank's Pricing Leadership Coalition, make up 54 percent of global greenhouse gas emissions and 52 percent of global GDP.

ICTSD reporting; "Lawmakers to vote on EU's €5bn carbon permit giveaway," EURACTIV, 17 September 2014; "EU tables free carbon permit proposal for heavy industries," EURACTIV, 6 May 2014; "Energy price gap with the US to hurt Europe for 'at least 20 years'," FINANCIAL TIMES, 29 January 2014; "Ban seeks 'vision, concrete action' from world leaders at UN climate summit," CLIMATE SUMMIT 2014, 22 September 2014.

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## LABOUR RIGHTS

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# US Moves Forward with Labour Case under Guatemala Trade Deal

The US will proceed with its labour enforcement action against Guatemala under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), officials confirmed last week. The labour case, originally launched four years ago, is the first of its kind brought under a free trade deal.

Speaking in Washington to an assembly that included domestic labour leaders, politicians, and the Deputy Secretary of Labor, US Trade Representative (USTR) Michael Froman [said](#) that the US would continue to “advance both our interests and our values” through “strong, enforceable labor standards.”

The original case was filed in July 2010, but has advanced slowly since. (See Bridges Weekly, [4 August 2010](#)) In re-starting the case, the USTR said that Washington will “not hesitate to take action” to improve international labour standards and protect American workers against what the US sees as unfair competition.

Ensuring compliance, Froman added, would “level the playing field for American workers and help ensure that global competition is driven by entrepreneurship and innovation, not by exploitation or injustice.”

### Enforcement plan

Following three years of stop-and-start arbitration, the US suspended litigation in April 2013 after agreeing to an 18-point Enforcement Plan. Under the plan, the Guatemalan government promised to significantly improve compliance with CAFTA-DR labour standards through dedication of additional enforcement resources and the passage of supporting legislation.

During the litigation freeze, Guatemala has taken several notable steps. On Thursday, the US trade chief pointed towards the creation of a compliance unit and the hiring of 100 new labour inspectors as signs of “important progress.”

Still, the impacts of government action have been minimally felt by Guatemalan workers and unionists. Despite “close collaboration,” with the Ministry of Labor, Froman suggested that the Guatemalan record on labour is “insufficient to demonstrate that the changes made have had the desired impact on the ground.”

Pointing towards a failure to implement “key commitments” – such as passing legislation granting Guatemala’s Ministry of Labor the authority to impose sanctions on labour rights violators – Froman added that “the ladder we built together remains Guatemala’s to climb.”

### Situation on the ground

According to [a 2013 report](#) by the International Trade Union Confederation (ITUC), Guatemala is the most dangerous country in the world for labour activists. Since CAFTA-DR entered into force in March 2007, over 70 Guatemalan unionists have been murdered and many more have been attacked, kidnapped, or fired in retaliation for attempting to organise workers.

During an August 2014 meeting in Guatemala City, local trade unionists [told the USTR](#) that "the government of Guatemala has no political will to solve the existing labour problems," and that workers' rights have actually deteriorated since Guatemalan unions first filed a CAFTA-DR complaint in 2008 with the support of the American AFL-CIO.

The AFL-CIO, known otherwise as the American Federation of Labor and Congress of Industrial Organizations, is the largest federation of labour unions in the US.

### **Immigration issues**

Speaking after Froman, AFL-CIO president Richard Trumka suggested that labour issues and the related cycle of violence in Guatemala have contributed to a recent influx of unaccompanied minors crossing into the US. To address this issue, Trumka [said](#), "we can and must do better for workers, so that they can prosper from trade and not be forced to send their children far from home."

The flow of unaccompanied child immigrants into the United States is an issue that has caused growing alarm in recent months, particularly due to humanitarian concerns. On Tuesday, the governments of Guatemala, Honduras, and El Salvador presented their own plan to stem the flow of immigrants by boosting economic growth in the region.

### **Next steps**

Despite the decision to move forward with arbitration, Froman suggested that there may still be room for the two sides to find a mutually acceptable solution, in which case litigation could be suspended or abandoned.

On the other hand, if no agreement is reached, the case would go before an arbitration panel. Should Guatemala be found to be in violation of the labour provisions of CAFTA-DR, it could be subject to fines of up to US\$15 million per year, or the suspension of trade benefits.

The US is Guatemala's largest trading partner, with the Central American country receiving US\$5.5 billion worth of American goods exports in 2013.

Imports from Guatemala amounted to US\$4.2 billion in that same year. Guatemala, for its part, is the US' 49<sup>th</sup> largest trading partner in goods.

ICTSD reporting; "US: Presses Guatemala again on labour law reforms," JUST-STYLE, 22 September 2014; "Central American countries offer plan to curb migration to U.S.," REUTERS, 23 September 2014; "United States steps up pressure on Guatemala over labor rights," REUTERS, 19 September 2014.



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## EVENTS & RESOURCES

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# Vacancy

The **International Centre for Trade and Sustainable Development (ICTSD)** – the publisher of Bridges Weekly – is looking for a managing editor for its Africa-focused publications, Bridges Africa (English) and Passerelles (French). The managing editor will lead ICTSD's communications efforts in engaging policy communities in Africa, with a focus on the intersection of trade and sustainable development. To learn more, or to apply, visit [the ICTSD website](#). The closing date is 17 October 2014.

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# Events

## Coming Soon

26 September, Washington, US. **CHINA'S ECONOMY: OUTLOOK, RISKS, AND REFORMS.** This Brookings Institution event will feature a discussion on the International Monetary Fund's latest evaluation of China's economic output and policies. Given recent developments, panellists will explore whether the country's economy could soon be facing a "hard landing," and will evaluate the progress made to date on enacting the reforms announced by the country's government last year. To learn more, or to register for the event, please visit the Brookings [website](#).

29 September, Geneva, Switzerland. **MAKING PROGRESS ON A GREEN GOODS AGREEMENT: THE CHALLENGES OF A LIVING LIST.** This half-day event will focus on the talks launched earlier this year by 14 WTO members, aimed at clinching an agreement on liberalising trade in green goods. It will address one of the key sets of challenges: creating an initial list of goods and maintaining it as a living list – revising, adding, and deleting as the state of technology evolves. Speakers include practitioners, experts, and administrators from a variety of multilateral agreements that have faced the challenges of a living list. The event, organised by the Friedrich-Ebert-Stiftung Geneva Office (FES) and the International Institute for Sustainable Development (IISD), is free, but registration is mandatory. To register, and to view the agenda, please see the FES-Geneva [website](#).

1-3 October, Geneva, Switzerland. **ICTSD AT THE WTO PUBLIC FORUM.** As in previous years, the International Centre for Trade and Sustainable Development (ICTSD) will be hosting several sessions during the WTO's annual outreach event, the Public Forum. ICTSD's events will focus on topics such as innovation, intellectual property, and informal sectors in Africa's development; why services trade is important for Africa; the role of trade in a universal post-2015 development agenda; and the growing role of smaller players in global trade. More information on ICTSD's activities is available [here](#).

2 October, Washington, US. **ABENOMICS: WILL IT WORK FOR JAPAN AND THE REGION?** This event, hosted by the Carnegie Endowment for International Peace and co-sponsored by the International Monetary Fund (IMF), will examine the current state of Japanese Prime Minister Shinzo Abe's "Abenomics" strategies and review their future prospects. Topics to be addressed by the panel include the recent IMF assessment on Abenomics progress to date; how the policies could affect flows of trade and capital; and the potential

impact on sovereign funding and other markets in Japan and in the region. More information is available at the Carnegie Endowment [website](#).

### WTO Events

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

26 September: Dispute Settlement Body

29 September: Preparatory Committee on Trade Facilitation

1-3 October: WTO Public Forum

### Other Upcoming Events

10-12 October, Washington, US. 2014 ANNUAL MEETINGS OF THE INTERNATIONAL MONETARY FUND AND WORLD BANK GROUP. This event will bring together finance ministers, development ministers, central bankers, private sector leaders, and academics to review issues such as the global economic outlook, efforts to eradicate poverty, and the effectiveness of international aid. The annual high-level gathering will, as always, feature meetings of the International Monetary and Financial Committee (IMFC) and Development Committee, which are the policy steering bodies for those organisations. More information is available on the meeting [website](#).

13-16 October, Geneva, Switzerland. WORLD INVESTMENT FORUM 2014: INVESTING IN SUSTAINABLE DEVELOPMENT. This biennial high-level event, hosted by the UN Conference on Trade and Development (UNCTAD), will bring together nearly 4000 participants from over 140 countries in order to discuss investment-related challenges that have emerged in recent years. The conference aims to provide a platform for stakeholders to discuss "investment for development," with the goal of promoting investment flows that contribute to sustainable and inclusive development. More information on the meetings is available at the [UNCTAD website](#). A [multidisciplinary academic conference](#), focusing on "Shaping a Future Research Agenda for Investment for Development," will also be held on the occasion of the Forum.

14 October, London, UK. INTERNATIONAL DEVELOPMENT COOPERATION: THE STATE OF THE DEBATE IN CHINA, INDIA, AND BRAZIL. This Chatham House-hosted roundtable will review the changing roles of India, China, and Brazil in the field of development cooperation, with a specific focus on each country's individual approach in this field. The discussion will be on the record, with presentations followed by a question-and-answer segment. The roundtable is being co-hosted with the Institute of Development Studies. To learn more, or to register interest, please visit the Chatham House [website](#).

29-30 October, Kolkata, India. TRADE, TRANSPORT AND TRANSIT FACILITATION IN SOUTH ASIA: IMPERATIVE OF BRIDGING MACRO-MESO-MICRO GAPS. This event, hosted by CUTS International, will feature a number of relevant policy-makers and stakeholders from South Asian countries. These participants will discuss the challenges and opportunities involving trade facilitation in South Asia, where the cost of cross-border trade is relatively high. Topics will cover macro- and meso-level gaps related to trade, transport, and transit facilitation, with an emphasis on India; procedural barriers along some specific trade corridors; and policy-related barriers to trade facilitation with a particular focus on standards and transport-related issues. To find more information, the full agenda is available [here](#).

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## Resources

SHOULD KOREA JOIN THE TRANS-PACIFIC PARTNERSHIP? By Jeffrey J. Schott and Cathleen Cimino for the Peterson Institute for International Economics (September 2014). In this new policy brief, the authors say that South Korea should indeed aim to join the 12-country Trans-Pacific Partnership (TPP) trade talks as soon as possible. However, this recommendation comes with the caveat that Seoul should first attempt to resolve its bilateral trade issues with Tokyo in a pragmatic way. Should South Korea not be in a position to seek TPP entry, the authors suggest that the Asian economy should then ask current members of the 12-country pact to establish an "open enrolment" period following the completion of the trade deal negotiations. To learn more, or to read the policy brief in full, please click [here](#).

UNDERSTANDING KEY POSITIONS OF THE LEAST DEVELOPED COUNTRIES IN CLIMATE CHANGE NEGOTIATIONS. By Prakash Mathema, Achala Abeyasinghe, and Janna Tenzing for the International Institute for Environment and Development (IIED) (September 2014). This briefing note highlights the three key positions for least developed countries (LDCs) in international climate negotiations, particularly in light of the upcoming UN Framework Convention on Climate Change (UNFCCC) Conference of the Parties in Paris next year, where countries will aim to agree a binding global climate deal. To learn more, or to read the full brief, visit the IIED [website](#).

POWER, GENDER AND FOSSIL-FUEL SUBSIDY REFORM IN INDIA. By Laura Merrill for the International Institute for Sustainable Development (IISD) (2014). This paper focuses on the link between fossil fuel subsidies and gender in India, with a specific emphasis on the potential gender impacts of reform across areas such as cooking and transport. The author urges that subsidy reform efforts take into account the need to mitigate the negative impacts on women, and focus on increasing access to sustainable energy while fostering the empowerment of women. To learn more, or to read the paper, click [here](#).

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