



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

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LEAD STORIES

With no Doha Conclusion in Sight, WTO Considers Way Forward

WTO Director-General Pascal Lamy announced on Friday that there will be no conclusion to the Doha Round of trade talks before the end of the year, making this the second major setback for the round in fewer than six months. WTO Director-General Pascal Lamy announced on Friday that there will be no conclusion to the Doha Round of trade talks before the end of the year, making this the second major setback for the round in fewer than six months.

Although some had feared that the Round would soon go into hibernation as administrations change in several countries and the economic crisis continues around the globe, Lamy told a meeting of the Trade Negotiations Committee on Wednesday afternoon that their work would continue in the New Year, albeit with perhaps a slightly different tone. "Concluding the Round should remain our focus in 2009," he said, "but this endeavour takes place within a more global portfolio of WTO activities."

Sectorals and SSM Proved Too Controversial

Continued disagreement over sectoral agreements - sector-specific liberalisation initiatives in manufactured goods that were strongly supported by the US - and an agricultural safeguard mechanism proved too much for negotiators to overcome. Addressing the WTO membership on Friday, Lamy said the bottom line was that "I have not detected the political drive, from my interlocutors, to make the moves which would give the final push to the establishment of modalities on these two issues. My sense is that there was no readiness to spend the political capital needed to get to modalities now."

Although the negotiating mandate for non-agricultural market access explicitly states that participation in sectoral initiatives - deep cuts or total elimination of tariffs on chemicals, automobiles, or any of the 12 other sectors proposed - is voluntary, the US recently made it clear that it wants at least China, Brazil and India to commit to participating in two such initiatives. Developing countries perceived this as an unacceptable raising of the bar at a very late stage in the negotiations.

Pascal Lamy likened the situation to some countries seeing sectorals as a “top-up, a non-mandatory addition to the main package. It would be the cherry on the pie. For others, this is an essential part of the agreement, which can only be finalised if there is a guarantee of commitments. It would be the pie on the cherry.” At this stage, he said, the two positions were “not reconcilable,” adding that it would be helpful “if we could get a better collective appreciation of the value of what is on the table, and how much of the difference sectorals would make.”

Lamy also noted that key differences remained on the special safeguard mechanism (SSM) that is to help developing countries shield their farmers from import surges and sudden price drops.

Nevertheless, he insisted it was the lack of political will rather than technical solutions that had prevented agreement on either the SSM or the sectoral initiatives. On the reduction of cotton subsidies, however, he said he had sensed that “both a technical solution, as well as the political will, were there.”

Mood in Geneva Soured Earlier This Week

Hopes for the conclusion of a deal had crashed with the failure of a marathon mini-ministerial meeting in July, but spirits lifted in October, sources said, as political will to conclude a deal intensified with the advent of the global economic crisis. Mandates last month from world leaders at the G-20 and APEC summits added further momentum to the deal.

But the mood at WTO headquarters in Geneva soured quickly this month as it became increasingly clear that the political calls for the

conclusion of a deal had failed to translate into changes in position at the negotiating table.

There had been a “sudden and dramatic change in the mood at the WTO,” Ambassador Trevor Clarke of Barbados told attendees at a seminar in Geneva late last week. Clarke attributed the shift in attitude to recent letters from US lawmakers and industry groups warning President Bush not to go through with an agreement that would not provide sufficient market access gains for US agricultural or industrial goods. Others blamed the sudden shift in mood on the US decision to ‘raise the bar’ in negotiations on sectoral agreements.

What role for the G-20?

Some trade experts see the failure to strike a framework WTO deal as a serious blow to the credibility of the G-20, just as the group of rich and developing countries was seeking to take on a more prominent role in the governance of the global economy.

Richard Baldwin, a professor at the Graduate Institute in Geneva, and Simon Evenett, of the University of St. Gallen, called governments’ inability to deliver on their commitment to agree on Doha Round modalities by the year’s end “the first concrete demonstration of the G-20’s ineffectiveness.”

The G-20’s principal role has been to bolster confidence that governments can keep the current from spiralling out of control, they wrote on the voxu.org website. “In this light, the Doha failure could not come at a worse time.”

A separate G-20 pledge on trade – to refrain from raising new barriers the movement of goods and services – has also fallen by the wayside. Since the group’s November summit, Russia has increased car tariffs, and India has increased import duties on a range of steel products.

To restore its credibility on trade, Baldwin and Evenett recommend that the G-20 pursue a ‘plan B’ of initiatives at the WTO “that would signal the seriousness of their support for the WTO system while Doha is on hold.” These initiatives could include a multilateral accord on trade facilitation, a constantly updated monitoring mechanism for all

increases to trade and investment protection, or even a “temporary binding commitment” by the G-20 and Pacific Rim nations not to raise applied tariffs or farm subsidies beyond their November 2008 levels. “Since much of the crisis-induced protection will be WTO-legal, we must find a way to unwind the barriers after the crisis,” they said, reflecting the fact that many countries have significant room to raise tariffs and subsidies before running up against WTO limits.

The Next Steps

It is not clear how much support there would be for such a ‘plan B’. In the wake of past negotiating breakdowns, some governments expressed opposition to calls to take trade facilitation outside the Doha framework.

But Lamy left open the possibility of having some sort of an ‘early harvest’ in the meeting of the Trade Negotiations Committee, or TNC, on Wednesday afternoon.

“Some of you have... mentioned the idea of some sort of early outcomes and have mentioned areas such as Trade Facilitation, Duty-Free Quota-Free Market Access, cotton or the banana issue,” he said. “Trade facilitation is the one on which I have detected more consensus. My own sense is that whether we harvest it earlier or not, at the end of the day this pleads for accelerating the work on these areas in the coming months, starting with Trade Facilitation.”

First and foremost, though, Lamy urged negotiators to carry on with their work in January.

“Looking ahead, our aims should not change,” he said. “I do not believe that either the political will to preserve the achievements so far or even the necessity to do so will go away, even more so with the continuing deterioration of the economic situation.”

In his TNC address, Lamy outlined a dual-track framework for progress in 2009. On the negotiations front, talks in agriculture and NAMA will proceed on technical issues and on the basis of the most recent draft texts. Lamy also urged talks in all other areas, which are in various states of play, to proceed. Many of these negotiations

had been stalled, awaiting agreement in agriculture and NAMA. Indeed, the chair of the negotiating group on Rules has stated his intent to move from a single draft encompassing anti-dumping, horizontal subsidies, and fisheries subsidies, to three separate texts as early as this week.

On a second, wider WTO front, Lamy introduced three ideas. The first was to establish an “internal Task Force” to provide regular updates of the impact of the financial crisis on trade. And Lamy indicated he was ready as early as this week to submit such a report. Second, Lamy talked of the importance of reviewing developments and mobilising finance for trade financing. Finally, Lamy said that a clear roadmap for Aid for Trade was desirable.

Most delegations that spoke up at the TNC meeting expressed their disappointment that the Round had not been concluded but said that they supported using the 6 December draft texts on market-opening in the agriculture and industrial sectors as starting points for future talks.

Many delegations expressed support for the idea of an early harvest, in all the areas indicated by Lamy, and in particular, the more development orientated area of cotton.

Support was also indicated for the creation of a ‘monitoring system’ – similar to the one proposed by Baldwin and Evenett – to track trade policy changes that Members make in response to the global economic crisis. Many fear that countries will resort to protectionism as they ride out the economic turmoil, but others say that those warnings are unjustified.

But no one expects any quick fixes, and many fear that political momentum may be irretrievably lost due to the recurring setbacks and worsening global economy. Another major question mark hovers over how high the conclusion of the Doha Round will be placed on the agendas of new governments in Washington, New Delhi and Brussels.

But Lamy stressed that negotiators must carry on with their work, despite the recent setback.

“While the year may end in disappointment, we should now gather ourselves and work in 2009 to demonstrate that the WTO remains as necessary and credible as ever,” Lamy said. “The world trading system needs the Doha Round to better respond to the needs and aspirations of its Members. Concluding the Round should remain our focus in 2009. But this endeavour takes place within a more global portfolio of WTO activities in which we need to keep investing. This task starts today.”

ICTSD reporting.

ASEAN Signs Charter, Trade Deals in Move Toward Deeper Integration

The chair of the WTO agriculture negotiations has The Association of South East Asian Nations, or ASEAN, made significant progress this week towards achieving an integrated regional community, similar to that of the EU, with the entry into force of the ASEAN Charter and the inking of three trade pacts on trade in goods, investment and services.

The inaugural ASEAN Coordinating Council convened alongside a meeting of ASEAN Foreign Ministers in Jakarta, Indonesia, on 15 December to witness the official entry into force of the ASEAN Charter.

The Charter gives a legal identity to the regional grouping, which comprises more than 500 million people, and founds a set of common rules on topics such as trade, investment, and the environment. Sanction authority, albeit weak, is also granted.

In his welcoming address, Indonesian President Dr Susilo Bambang Yudhoyono called the Charter a “momentous development” that could be used as the basis for speeding up and strengthening regional integration.

While the goal of a free trade area has been in the 40-year-old ASEAN’s sights since the early 1990s, the Charter adds momentum to its achievement. Indeed, the Charter’s main objective is to establish

a single market for the free flow of goods, services, investments and skilled labour by 2015.

“By virtue of its provisions, we can enhance the process by which we are transforming ASEAN from a loose association to an ASEAN Community resting on the pillars politico-security cooperation, economic cooperation and socio-cultural cooperation,” the Indonesian President said.

The Charter also calls for respect for democratic principles and human rights and a nuclear-weapon-free Southeast Asia. But one of its “people-oriented” commitments – a proposed regional human-rights body – is tipped to be a challenge. ASEAN member Myanmar has come under routine criticism from human rights watchdogs.

A number of structural adjustments were also made under the Charter, one of which is the creation of the Asian Economic Community Council. Meeting biannually with the mandate to advance the development of the ASEAN economic community, the council replaces the ASEAN Economic Ministers meetings.

“With a new structure, a new mechanism for settling our differences and new approaches to the way we conduct our business, we have improved our capacity to adapt to a rapidly changing world and all benefits and risks that come with it,” Dr Susilo added.

Congratulatory remarks for ASEAN on the Charter have been made by countries worldwide, including Australia, Canada, China, India, Indonesia, Japan, New Zealand, and Russia.

Three Trade Pacts Penned

A day after ASEAN became a legal entity, six of the 10 ASEAN Member nations – Brunei, Cambodia, Indonesia, Laos, Singapore and Malaysia, signed three agreements on goods trade, services and investment.

Under the goods deal, tariffs on traded goods will be reduced and a clear framework of customs procedures will be established. The services agreement aims to improve the efficiency and competitiveness of the region’s air travel, healthcare and tourism. And the investment

agreement hopes to protect investors by levelling the playing field and compensating investors who are negatively affected if a country modifies its commitments.

The six signatories inked the pacts this week at an informal gathering of ministers, ahead of the scheduled event at the next official ASEAN Summit because of civil unrest in the host nation, Thailand. Thai anti-government protestors had forced the country's former government to both relocate the summit and postpone it from this December until late February of next year.

The global financial crisis was central to the decision to strike the trade deals. Growth in the Southeast Asian economies has slowed with that of the ailing global economy, and officials hope that closer economic ties and a regional commitment to lower trade barriers will send the right market signals to fend off protectionism, boost the economy, and provide an attractive venue for foreign investment. Moreover, a more unified community is also viewed as necessary to maintain global competitiveness vis à vis China and other regional groupings.

"As these agreements are integral to ASEAN's economic integration, the ASEAN economic ministers agreed to meet in Singapore to sign and have them enter into force as soon as possible," Malaysian Trade Minister Muhyiddin Yassin said, reported Agence France Presse.

The four remaining ASEAN nations that were not represented at the ministers meeting – Myanmar, the Philippines, Thailand and Vietnam – are due to sign the agreements at a later date. The agreements will come into force six months after all ASEAN Members have signed the deals.

As of 2006, the ASEAN region has a combined gross domestic product of almost US\$ 1,100 billion, ASEAN reports. And according to a Malaysian press statement, inter-ASEAN trade in 2007, which accounts for one-quarter of total ASEAN trade, was valued at US\$ 404.3 billion.

Ministers Commit to US\$ 120 billion ASEAN Fund

Ministers at the summit also reportedly agreed to create a fund worth US\$ 120 billion to help the region weather the economic crisis. The ASEAN fund, like the International Monetary Fund, would dole out loans to member nations in need.

"The matter is being discussed through the ASEAN Finance Ministers meeting in Singapore at present and we should receive news soon," Malaysian Foreign Minister Datuk Seri Dr Rais Yatim told journalists on Tuesday, the New Straits Times reported.

"But we have been informed that the fund would be a reality by the time the ASEAN Summit is held in February," he said.

ASEAN objectives include accelerating economic growth, social progress and cultural development in the region, and promoting regional peace and stability. The regional group comprises Brunei Darussalam, Cambodia, Indonesia, Lao, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

ICTSD reporting; "ASEAN Members forge legal bloc," THE WALL STREET JOURNAL, 15 December 2008; "ASEAN moves closer to economic integration with signing of 3 trade pacts," AHN, 16 December 2008; "ASEAN nations press on with trade pacts," AGENCE FRANCE PRESSE, 16 December 2008; "ASEAN inks intra-regional trade agreements to boost grouping's economy," BERNAMA, 16 December 2008; "ASEAN signs trade agreements to ward off slowdown," REUTERS, 16 December 2008; "Six ASEAN nations sign three trade deals in Singapore," XINHUA, 16 December 2008; "ASEAN to establish US\$120 bil fund to help members," THE NEW STRAITS TIMES, 16 December 2008.

Climate Talks in Poznan Meet Low Expectations

Ministers and officials from 189 countries wrapped up climate change discussions in the early morning hours of 13 December having made unexpected progress on the terms of the UN Adaptation Fund and marginal movement towards

an agreement on technology transfer. Nevertheless, many observers criticised the meeting for yielding exactly what was expected going in: very little.

The 14th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), or COP-14, was expected to provide delegates with a venue to reflect on 2008 and make solid commitments for the next 12 months leading up to COP-15 in Copenhagen next year. With a less-than-expected presence from US President-elect Barack Obama's delegation and global economic uncertainty still casting a shadow over negotiations, significant progress that environmentalists had hoped for remained elusive.

Nevertheless, planning for 2009 was fruitful, with widespread agreement that regular meetings should be held throughout the year, with a possible major conference being held in September.

Negotiators Clinch Deal on Adaptation Fund

Delegates finally agreed to provide the UN Adaptation Fund board with the capacity to grant developing countries access to funds earmarked for climate change adaptation. The Adaptation Fund is, essentially, a pot of money meant to protect developing countries against the potential impacts of climate change. The funds have been accumulated from voluntary contributions and a two-percent allocation from the Clean Development Mechanism (CDM) - a market mechanism under the Kyoto Protocol that allows industrialised countries to receive credit by investing in emissions reduction projects in developing countries.

Heading into Poznan, developing countries were generally unhappy with the prospect that the World Bank might manage the Fund. Developing countries subsequently submitted a proposal to allow them to access the funds - approximately US\$80 million - by applying directly to the Adaptation Fund Board. Developing countries will be able to apply for funding for projects in the course of 2009.

While some observers are calling this boost in the legal capacity of the Adaptation Fund Board an

important achievement, others say they are disappointed by governments' inability to reach a consensus on using proceeds from other flexibility mechanisms of the Kyoto Protocol (i.e., emissions trading and joint implementation) to alimnt the fund.

According to the UN, adaptation to climate change in developing countries requires US\$86 billion in funding each year. Further funding streams for adaptation are expected to be decided in Copenhagen in 2009.

Poznan Leaves its Mark on Technology Transfer

Technology transfer, which was widely expected to monopolise the COP-14 agenda, saw some progress when Parties endorsed the Global Environment Facility's "Poznan Strategic Programme on Technology Transfer." The programme seeks to scale up the level of investment in technology transfer in order to help developing countries address their needs for environmentally sound technologies to mitigate and adapt to climate change.

But despite this progress, some green groups expressed their concerns that developed countries made no specific proposals detailing how much finance they would provide for technology transfer. A major coalition of developing countries - the G77 and China - has called on the industrialised nations to divert as much as 1 percent of their gross national product (GNP) to help finance emissions reducing technology projects in the developing world and many observers say finding this still-elusive magic formula will be key to reaching consensus in Copenhagen.

In a related issue, longstanding divergence between developed and developing countries remained on issues related to intellectual property rights (IPRs). The Contact Group on "Delivering on Technology and Financing, Including Consideration of Institutional Arrangements" discussed the matter in depth, but failed come to any meaningful convergence.

Developing countries stressed the need to depart from a business as usual approach in the treatment

of IPRs in addressing the climate change emergency, and some countries made a parallel with the case of access to affordable medicines. Developed countries emphasised the importance of IPRs in promoting innovation for technology development and deployment.

Shared Vision Remains Elusive

Establishing a “shared vision” has been stressed as an essential foundation for moving toward consensus. The ministerial roundtable was convened in Poznan to address this topic, but despite an expression of commitment to advance the process by both developed and developing countries, there was little movement forward.

During the conference, developed countries stressed the importance of medium- and long-term targets for 2020 and 2050. Meanwhile, developing countries insisted on the need for developed countries to meet existing targets under the Kyoto Protocol and give a strong sense of future commitment by agreeing to reduce their emissions by a minimum of 40 percent by 2050.

Referring to a recent report by the Intergovernmental Panel on Climate Change (IPCC), several developed countries called for developing countries to undertake a “substantial deviation from business as usual” in the path of their emissions growth. There now appears to be some sort of convergence that developing countries’ future mitigation efforts will be discussed in a way that recognises a substantial shift away from current practice, and perhaps not in terms of capping of their emissions.

Mitigation Agreement in Principle

Under the Ad hoc Working Group under the Kyoto Protocol (AWG-KP) Parties agreed that commitments of industrialised countries post-2012 should principally take the form of quantified emissions limitations and reduction objectives, in line with the type of emissions reduction targets they have assumed for the first commitment period of the protocol. The AWG-KP has adopted conclusions on its work programme for 2009.

Meanwhile, European Union leaders meeting at a concurrent conference have unanimously agreed a

deal on tackling climate change, with the objective of reducing EU greenhouse-gas emissions by 20 percent below 1990 levels by 2020 (see Bridges Trade BioRes, 15 December 2008, <http://ictsd.net/i/news/biores/36368/>). The Europeans have however made their agreement conditional to the successful conclusion of a global agreement on climate change next year in Copenhagen. A review clause that members agreed to would allow a review of the EU climate package in March 2010 to reflect the outcome of the Copenhagen conference.

Deforestation, Obama Fizzle

Widespread expectation that some movement would be made on deforestation issues - such as the UN Reduced Emissions from Deforestation and Forest Degradation Programme (UN-REDD) - was not realised at Poznan.

No agreement was reached about whether to include forests in a proposed carbon market scheme and much hubbub was made over a report from environmental group Friends of the Earth that charges that a loophole in the UN-REDD system would allow governments to buy up forests and use the land for monoculture cultivation.

Many environmentalists were similarly disappointed when the high expectations from the upcoming US administration under President-elect Obama produced little. The US envoy in Poznan, led by Senator John Kerry, made it clear that while recognising the principle of common but differentiated responsibilities and respective capabilities, large developing countries such as China will have to have some kind of target before ratification will be possible.

Moving Forward

Parties agreed to step up their efforts in 2009 to create the necessary momentum for consensus in Copenhagen.

When addressing delegates on 11 December, UN Secretary-General Ban Ki-moon expressed his concern that Parties would need additional stimulus to reach consensus and suggested that a high-level pre-Copenhagen meeting be convened

in September. Ban has been quick to point out that current global instability should be used as an opportunity to move climate change negotiations forward.

“We are going through unprecedented multiple crises starting from global financial crisis, food crisis and also climate change crisis,” Ban told BBC News during the conference. “If we take action today it may not be too late. But if we take action tomorrow, we may have to regret it for not only us, but for coming generations and even for planet Earth.”

But critics have expressed their concerns that the lack of progress seen in Poznan is indicative of the lack of commitment, particularly from developed countries. “The climate talks fizzled out with no progress on the big decisions,” said Andy Atkins, Executive Director of Friends of the Earth. “There’s now a plan to make decisions in 2009 but a radical quickening in pace is urgently required.”

ICTSD Reporting; “Ambitions For 2009 U.N. Climate Pact Fade In Poznan,” REUTERS, 9 December 2008; “Carbon Trade In U.N. Climate Spotlight,” REUTERS, 10 December 2008; “Slow Progress in Poznan While Climate Threats Mount,” ENVIRONMENT NEWS SERVICE, 13 December 2008.

IN BRIEF

US Trade Experts Offer Recommendations to Obama

The European Union has granted preferential tariff rates to 16 developing countries that meet its criteria for sustainable development and good governance, Brussels announced Tuesday.

The United States should “recalibrate” its stance on trade, strengthen domestic social programmes, and take the lead in international trade negotiations, a group of 22 bipartisan trade policy experts wrote in a recent memo to US President-elect Barack Obama and the members of the next session of Congress.

Presenting “a new trade policy for the United States,” the experts called for “a new narrative” for explaining trade to the US public, a “comprehensive competitiveness agenda” to help the US benefit from economic engagement, and an adjustment policy to “cushion the inevitable downsides” associated with expanded trade.

Specifically, the group called on the president-elect to expand healthcare coverage, strengthen unemployment benefits, and increase training programmes to help US workers adjust to changing economic circumstances.

“The United States needs a new social contract in which our continued openness on international trade is supported by a much stronger and effective national program of safety nets and empowerment initiatives,” the group wrote in the memo, which was dated 25 November.

The experts called for renewed engagement and leadership in international trade talks, but tempered that recommendation with a warning that the new administration and the new Congress should “recalibrate” trade policy at all levels.

“You will need to reassess our approach to trade negotiations. The Doha Round is at an impasse and the results to date do not sufficiently address our commercial priorities or generate much change in the status quo,” the experts wrote.

But “failure in the Doha Round could cause irreparable harm to the WTO’s credibility, which would undermine its valuable dispute settlement mechanism and jeopardise our traditional interest in strong global economic institutions.”

“Any appearance of US rejection of Doha would undercut your goal of enhancing the global role and image of the United States,” the group wrote.

The group also stressed the importance of bilateral trade deals, especially in the event of a failure of the Doha Round.

“There is considerable interest in potential FTAs with the European Union and/or Japan, not only because of their potentially significant economic benefits but also because labour and environmental issues would be much less

controversial than in FTAs with many other countries,” they wrote.

The memo, which was coordinated by the Peterson Institute for International Economics, was presented to the Obama transition team last week, group member Jeffrey Schott said.

The expert group included Grant Aldonas of Split Rock International, C. Fred Bergsten of the Peterson Institute for International Economics, Claude Barfield of the American Enterprise Institute, Karan K. Bhatia of GE, Calman Cohen of the Emergency Committee for American Trade, I.M. Destler of the Peterson Institute, Calvin Dooley of the American Chemistry Council, Stuart E. Eizenstat of Covington and Burling, Bill Brenzel of the Brookings Institution, Al From of the Democratic Leadership Council, Edward Gresser of the Progressive Policy Institute, former USTR Carla A. Hills, Gary N. Horlick of Wilmer Hale, Gary C. Hufbauer of the Peterson Institute, William C. Lane of Caterpillar, R. Scott Miller of Proctor and Gamble, William Reinsch of the National Foreign Trade Council, Howard Rosen of the Trade Adjustment Assistance Coalition, Jeffrey Schott of the Peterson Institute, Franklin Vargo of the National Association of Manufacturers, Alan Wm. Wolff of Dewey and Leboeuf, and Clayton Yeutter of Hogan and Hartson L.L.P.

ICTSD reporting.

Falconer had been due to return to Wellington at the year’s end to take up a post as deputy secretary for trade in the foreign ministry.

“As Chair of the WTO Agriculture negotiations, Ambassador Falconer’s contribution has been of crucial importance,” New Zealand Trade Minister Tim Groser said in an official statement. “A number of WTO members, including at ministerial level, have expressed strong hope that he would be able to remain in that position in Geneva,” he said.

Groser explained that the request was made in the hopes that, by retaining his mediatory position, momentum in the Doha negotiations will be maintained – particularly after the cancellation of a much-hyped but ultimately unrealised mid-December WTO ministerial meeting.

Falconer also chairs the WTO panel charged with investigating the long-running aircraft subsidies dispute between the EU’s Airbus and the US’ Boeing.

Groser said that Dr David Walker will replace Ambassador Falconer as New Zealand’s Permanent Representative to the WTO in January. Walker was responsible for negotiating New Zealand’s free trade deal with China – the first such deal between China and a developed nation.

ICTSD reporting; “WTO Farm mediator to stay on in Geneva,” REUTERS, 16 December 2008.

WTO IN BRIEF

Falconer to Remain in Geneva as Chair of WTO Ag Talks

The chair of the WTO’s agriculture trade talks, New Zealand’s Crawford Falconer, has been invited to stay on in Geneva in a ‘special role’ as Ambassador to the WTO Doha negotiations, despite the end of his official term this December, the New Zealand Government announced on Tuesday.

Appellate Body Rejects China’s Auto Parts Appeal

The WTO’s Appellate Body upheld an earlier dispute panel ruling against China in an on-going battle with Canada, the EU and the US over auto part tariffs, the WTO announced on Monday.

The seven-member Appellate Body recommended that China bring its import duties on foreign auto parts into “conformity with its [WTO] obligations.”

Beijing now has a ‘reasonable period of time’ to comply with the ruling, after which a different

WTO panel will determine whether the country is still in violation, in which case the complainants could be allowed to impose retaliatory tariffs.

“The WTO Appellate Body confirmed that China’s discriminatory taxation of US auto parts is fundamentally at odds with core WTO principles,” US Trade Representative Susan Schwab said in a statement.

“International trade must be a two-way street. Both the United States and China benefit from our trade relationship, but as this dispute makes clear, when China adopts measures that unfairly restrict US exports, we will not hesitate to use all available tools to ensure that China complies with the rules of the international trading system,” Schwab said.

EU Trade Commissioner Catherine Ashton also welcomed the ruling: “China should now put an end to the discrimination and ensure a level playing field in its automotive sector,” she said in a statement.

In September, Beijing appealed a July dispute panel ruling that found Chinese auto tariffs to be in violation of WTO rules and China’s scheduled tariff commitments (see BRIDGES Weekly, 4 September 2008, <http://ictsd.net/i/news/bridgesweekly/27666/>; see BRIDGES Weekly, 18 September 2008, <http://ictsd.net/i/news/bridgesweekly/29501/>).

Beijing’s duties on foreign auto parts were first challenged by Canada, the EU and the US at the WTO in 2006, a year after China enforced a system of levying tariffs on auto parts based on the number of imported parts used in completed vehicles.

Canada, the EU and the US argued that China violates international trade law by charging a 25 percent tariff on auto parts that account for 60 percent or more of the value of an entire vehicle. In all other cases, China charges a 10 percent tariff on the parts.

The complainants also said these policies discriminate against foreign auto parts producers, as they effectively subsidise domestic production, pressure foreign auto part producers to relocate to

China, and contravene China’s WTO accession promise “not to treat parts as whole cars.”

However, Beijing had argued the duties were necessary to stop the import of whole cars in chunks, which would also circumvent the higher taxes on finished cars.

This dispute represented a number of firsts for the Asian giant: the rulings signify China’s first legal defeat since joining the multilateral trade body in 2001; indeed, it is the first dispute to reach the stage of panel and appellate reports, and it is the first dispute bought by the EU against China.

ICTSD reporting; “WTO rejects China appeal against auto parts ruling,” ASSOCIATED PRESS, 15 December 2008; “China loses appeal of WTO ruling on car-parts duties,” BLOOMBERG, 15 December 2008; “China loses appeal against WTO car parts ruling,” AGENCE FRANCE PRESSE, 15 December 2008.

WTO Criticises High Farm Support in Switzerland, Liechtenstein

Switzerland and Liechtenstein, two of the world’s wealthiest countries, have enjoyed solid economic growth over the past four years but should cut their subsidies and tariffs in the agriculture sector to further benefit consumers, a WTO review of the countries’ trade policies concluded this week.

External trade is the lifeblood of both economies: their ratios of external trade to gross domestic product (GDP) exceed 100 percent. The services sector, namely financial services, forms the backbone of the economies in both countries. In merchandise trade, the countries’ primary imports include machinery, transportation equipment, and electronics, while their main exports consist of chemicals, electronics, watches, and high-tech construction products. The EU is the largest trading partner of both of the countries, followed by the US.

With regard to agriculture – a sector that makes only a “marginal” contribution to employment and GDP in the two countries – the report found that farmer protections were still “high by

international comparison”: agricultural tariffs stand at an average 22.7 percent, and tariff quotas exist for 26 tariff lines. The report recommended that the countries take advantage of high world food prices to cut payments to farmers and reduce tariffs on agricultural goods.

The report also criticised the countries’ competition policies, saying that competition remains limited in agriculture, healthcare, and public transport – a fact that has helped keep consumer prices high, the report concluded. But some progress has been made on this front. In 2003, the countries enacted a Cartels Law, which strengthened the competition regime, in particular by introducing direct sanctions against the most serious infringements.

Switzerland and Liechtenstein have had a common monetary policy since the enactment of the Monetary Union Arrangement in 1980. Under the countries’ Customs Union Treaty, signed in 1923, Switzerland acts on behalf of its smaller neighbour to the east in customs union issues, which include import and agricultural policies.

The WTO secretariat conducts periodic trade policy reviews (or TPRs) of each of its Members. Switzerland and Liechtenstein’s last TPR was in 2004.

ICTSD reporting.

EVENTS & RESOURCES

Events

For a more comprehensive list of events in trade and sustainable development, please refer to ICTSD’s web calendar at: <http://www.ictsd.org/cal/index.htm>. If you would like to submit an event, please email events@ictsd.ch.

Coming up: 18-24 December

19-20 December, Paris, France. SIXTH WORLD FORUM ON SUSTAINABLE DEVELOPMENT: PRIORITIES, FINANCING, GOVERNANCE. Launched in

2003, the Global Sustainability Forum provides an annual meeting for decision-makers and managers from the worlds of business, politics, education and the non-profit sector in the French-speaking world, with strong links to Asia, the US and Latin America. This annual event is intended to bridge the gap between the World Economic Forum of Davos and the alter-globalisation of Porto Alegre. For further information, please refer to <http://www.fmdd.fr/synopsis.html>.

WTO Events

An updated list of forthcoming WTO meetings is posted

http://www.wto.org/meets_public/meets_e.pdf. 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.

18-19 December: GENERAL COUNCIL

22 December: DISPUTE SETTLEMENT BODY

25 December: CHRISTMAS DAY (WTO non-working day)

Other Upcoming Events

15-16 January, Makati, Philippines. ASEAN COOPERATION ON ECONOMICS AND BUSINESS AND EDUCATION. The Association of South East Asian Nations, or ASEAN, with a combined population of close to 600 million and a GDP of US\$ 1.07 trillion is one of the fastest growing regions in the world. ASEAN’s growth and prosperity is now challenged by the reality of low-cost export processing with the promise of a large domestic market. This business-orientated conference will address the current challenges of the region as well exploring the intrinsic business and economic realities in ASEAN in the longer term. For further information, please refer to <http://www.aseancooperation.com>.

20-21 January, Brussels, Belgium. CEPS 4TH ANNUAL EUROPEAN ENERGY POLICY CONFERENCE 2009 – IS EUROPE'S ENERGY SECURITY AT STAKE? The conference will once again bring together major players from across the European Union and internationally, to discuss a range of issues including: Diversifying supply; ensuring safe and reliable transit, and partnerships with transit countries; low-carbon energy technologies; effectiveness of the Gas Security of Supply Directive; global demand and supply balances and environmental pressures; macro-economic implications; future energy systems; unbundling and investment; renewables and biomass; geopolitical issues and the role of partnerships; and the role of renewables and energy efficiency. For further information, please refer to <http://www.euenergypolicy.com>

26-27 January, Bonn, Germany. FOUNDING CONFERENCE OF THE INTERNATIONAL RENEWABLE ENERGY AGENCY (IRENA). A successful preparation process has paved the way to the establishment of the International Renewable Energy Agency, or IRENA. All United Nations member states are invited to sign the Treaty (Statute) at the Conference establishing IRENA, on 26 January next year in Germany. From that day forth, the Statute will be ready for signature by any states interested in becoming a member of the Agency. For more information contact: e-mail: info@irena.org; Internet: <http://www.irena.org/index.htm>.

4-15 May, New York, US. SEVENTEENTH SESSION OF THE COMMISSION ON SUSTAINABLE DEVELOPMENT. This policy session will focus on agriculture, rural development, land, drought, desertification and Africa. For more information, please refer to <http://www.un.org/esa/sustdev/csd>.

REFORM IN DEVELOPING COUNTRIES. By Carolyn Deere, Oxford University Press, December 2008. The 'Implementation Game' is the first book-length study of the politics surrounding the implementation of the World Trade Organisation's Agreement on Trade Related Intellectual Property Rights (TRIPS). It seeks to explain the variation in how developing countries have implemented the treaty, highlighting the influence of global intellectual property debates, international pressures, and political dynamics within developing countries. In so doing, the book exposes how power politics occur not just within global trade talks but afterward when countries implement agreements. 'The Implementation Game' will be of interest to all those engaged in debates on the global governance of trade and intellectual property, and the challenges facing developing countries in the global economy. For further information, please refer to <http://www.oup.com/uk/catalogue/?ci=9780199550616>.

THE PROMISE AND THE PERILS OF AGRICULTURAL TRADE LIBERALIZATION: LESSONS FROM LATIN AMERICA. By Mamerto Pérez, Sergio Schlesinger, and Timothy A. Wise with the Working Group on Development and Environment in the Americas, June 2008. Based on seven country studies examining both the promise of export agriculture and the perils of trade liberalisation for small-scale farmers in Latin America, the authors of this collaborative report call for a thorough review of agricultural trade and development policies in the region. The project assesses Mexico's performance under NAFTA; the South American soybean boom in Brazil, Argentina, and Bolivia; and the impacts of rising imports on small-scale farmers in El Salvador, Bolivia, and Brazil. The authors suggest that the most important policy reform Latin America needs now is a much more selective and careful management of international trade, particularly in agriculture. For further information and to access the paper, please refer to <http://ase.tufts.edu/gdae/WorkingGroupAgric.htm>.

Resources

NEW THINKING ON TRADE THE IMPLEMENTATION GAME: THE TRIPS AGREEMENT AND THE GLOBAL POLITICS OF INTELLECTUAL PROPERTY