While equity appears strongly as a foundational principle of the UN Framework Convention on Climate Change (UNFCCC), it has gradually taken a back seat to considerations of cost-effectiveness and efficiency. This trend – very clear from a comparative reading of the UNFCCC and the Kyoto Protocol – is not a problem per se (and indeed, is quite understandable as part of the move from conception to action), but it does pose the danger of ultimately undermining the efficacy of climate change mitigation efforts.

A longer-term perspective would seek to ensure that developing countries are able to grow economically and eradicate poverty. In the short run, this means identifying win-win policies, providing financial and technical assistance, and investing in poor and vulnerable communities. A longer time horizon, however, suggests that these policies be part of a portfolio that includes the building of capacity for carbon-free growth. If such capability is not fostered now, future mitigation costs would cripple developing countries and deepen existing inequities. To ensure that mitigation arrangements are, and remain, equitable negotiators must examine Kyoto Mechanisms from a perspective that goes beyond financial and technological transfers, and includes the stimulation of developing country mitigation capacity.

The balance of scientific evidence suggests that current levels of emissions of greenhouse gases, if sustained or increased over time, will lead to climate change and associated adverse consequences for planetary life. Current annual emission levels are about 6 billion tons of carbon (GtC), i.e., an average of about 1.1 tons per capita. However, there are considerable regional variations. Developing countries, with 80 percent of the world’s population, emit only 36 percent of the carbon, at an average of about 0.5 tons per capita. The respective averages for industrialized countries and economies in transition are 3.7 and 2.0 tons per capita. However, while the per capita emissions of developing countries will continue to remain much lower than the other two regions, their aggregate emissions will overtake the rest in about 20 years. Notwithstanding the difference in per capita emissions, all groups of countries will have to cooperate in bringing down the global emissions level to a sustainable 3 GtC.

A collective international response, aimed at lowering emissions and stabilizing atmospheric concentrations of greenhouse gases, is clearly needed. However, countries do not have equal resources to contribute to the solution. Acknowledgment and accommodation of this heterogeneity was originally at the heart of the climate negotiations. It is generally recognized that, in the context of climate change, nations differ in the following terms:

- Ability/willingness to pay
- Capacity (e.g., institutional, technological) to respond
- Responsibility for impacts
- Vulnerability to impacts
- Income and aspirations for development

Recognition of these factors has invoked a set of ethical approaches to the climate negotiations, each of which is essentially a different interpretation of equity in the context of climate change. Questions of ability and willingness to pay have led to the determination that developed countries, as they possess greater capacity to respond to climate change, should bear a larger share of the burden of mitigation. This burden-based approach, the compromise approach of the negotiations, is one which falls regrettably short of capturing larger equity concerns. Similarly, the premise has evolved that nations which are historically most responsible for the development of green-house-related problems should bear more of the responsibility for stemming the expansion of these problems. This has become the basis of the liability-based approach.

Concern for the unequal exposure of populations to climate impacts, and the recognition that the poor tend to be the most vulnerable, have led to a poverty-based approach. Finally, per capita income inequality and the relative nascent of developing country economies have highlighted the dependence of growth (and pursuit of national priorities) on the right to emit greenhouse gases. The contrast between developing country growth aspirations with the comparatively satisfied levels achieved by the industrialized North has led to a rights-based approach which emphasizes allocation of rights to the global commons and most pertinently, the atmosphere.

Each of these principles has been invoked within the climate negotiations, but it is primarily on the ability to pay that the FCCC and subsequent negotiations have focused. In practice, the discussion has centered on the North-to-South transfer of financial and technological resources. With little discussion of the other perspectives – capacity, vulnerability, liability – consideration of the full implications for equity has been inadequate. The graph on page 4 underscores the ability to pay argument, and yet each of the other perspectives can be applied to the trend; the data underlying this pattern, as that underlying each of the other arguments, is a depiction of inequity. GDP per capita can be substituted with resilience to climate change impacts, capacity to undertake mitigation, realized development aspirations, ability to pay, or

Continued on page 4
Agriculture: All Sides Hold to Their Positions

The gap between WTO Members’ agricultural negotiation goals remains as wide as ever after three special sessions have been held to hear initial positions. The latest such session took place from 28 to 29 September.

The positions tabled since February, largely familiar from the pre-Seattle process, are fairly general statements on Members’ aspirations with regard to the end result of the negotiations. Thus, the Cairns Group members were predictably sceptical at the September meeting about the EU’s submission on export competition (G/AG/NG/W/34), which conditioned concessions on export subsidy reductions on parallel concessions on other forms of export support, such as export credits, food aid and trade-distorting practices of state trading enterprises (Bridges Year 4 No.7, page 15). Neither US export credit guarantees nor Canada’s or Australia’s state marketing boards for dairy and cereal products came anywhere close to the level of distortion caused by the EU’s export subsidies, they charged.

The EU also heard stinging reactions to its animal welfare proposal (G/AG/NG/W/19, see Bridges Year 4 No. 5, page 2). The paper suggested, inter alia, some form of WTO-authorised compensation for additional production costs arising from high animal welfare standards. EU officials said that the comments were based on an incomplete reading of the proposal. Nevertheless, EU Agriculture Commissioner Franz Fischer faced more derision over the issue when Cairns Group agriculture ministers met in October in Banff. ‘We owe no explanation to anyone who forcefeeds geese,’ New Zealand’s Agriculture Minister James Sutton said.

At the September special session, the Cairns Group tabled a paper on domestic support (G/AG/NG/W/35). Cairns countries proposed a ‘formula approach’ that would lead to the elimination of the blue box. The formula would include an initial reduction in trade and production-distorting domestic support of at least 50 percent in the first year of implementation. In earlier submissions, the Group has called for the complete elimination of export subsidies.

Cuba, the Dominican Republic, El Salvador, Honduras, Kenya, India, Nigeria, Pakistan, Sri Lanka, Uganda and Zimbabwe submitted a proposal on market access (G/AG/NG/W/37), which focused on the need to eliminate tariff peaks and escalations. The paper also called for the elimination of seasonal and variable tariffs, except as special and differential treatment for developing countries. The 11 countries also proposed a series of measures to simplify the administration of tariff rate quotas.

The Mercosur countries together with Chile, Bolivia and Costa Rica submitted a paper (G/AG/NG/W/38) refuting the ‘myth’ that export subsidies were necessary to maintain food security in net food-importing developing countries (NFIDCs). The three-page paper concludes: ‘The liberalisation of trade in agriculture and the consequent elimination of export subsidies are the real solution to food security’, adding that countries should implement the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-developed and Net Food-importing Developing Countries and provide food aid to NFIDCs in need ‘without commercial conditions and in fully grant form.’

No date has been set for concluding the talks, but negotiators are well aware of the potentially dire consequences of the expiration of the peace clause in 2003. Under the peace clause, Members agreed to refrain from initiating dispute settlement proceedings over agricultural subsidies for a nine-year period starting in 1995. If the provision is not extended – and it will not be unless Members feel that substantial progress has been made in the negotiations – Members’ domestic and export subsidies will be open to challenge as of January 2004.

The fourth special session will take place from 14-15 November, and Members have the possibility to schedule another meeting in January 2001 before concluding Phase I in March 2001. That is when Members are expected to adopt a new programme of work laying out the timeframe for tabling concrete proposals indicating the actual reductions they are willing to make in agricultural trade barriers. Once these are known, real negotiations can finally start.
The second phase of the WTO’s review of implementation issues got off to a slow start as Members devoted more time to procedural questions than substantive issues at the General Council’s special session on implementation concerns held on 18 October.

The review seeks to address developing countries’ concerns about imbalances in existing WTO Agreements, laid out in paragraphs 21 and 22 of the draft Ministerial Declaration of October 1999. Those paragraphs not only call for changes in the implementation of a large number of existing Agreements, but also imply revisiting some of the provisions to make them more responsive to the needs of developing countries. The objective of the review is to ‘assess existing difficulties, identify ways to resolve them and take decisions for appropriate action.’

Special sessions held in June, July and September addressed concerns outlined in draft paragraph 21, which deals with proposals for immediate action, but yielded few concrete results (Bridges Year 4 No.7, page 7).

The October 2000 special session was to start reviewing demands in paragraph 22, which proposes that Members negotiate further commitments and changes during the first year of multilateral trade negotiations, in particular with regard to the Agreements on Anti-dumping and Subsidies. However, most of the discussions centred on how to sequence debate on paragraph 21 issues and paragraph 22 proposals. The two are intertwined as the paragraphs deal with the same Agreements, although the proposed changes differ. No formal decision was reached.

General Council Chair Kârre Bryn will consult with Members in order to elaborate a work programme for further meetings, which now seem inevitable (the review was initially conceived to wrap up in December, with Members taking decisions for ‘appropriate action where possible’).

The lack of progress could be partly due to the fact that many Members are reluctant to get into specifics when some of the implementation issues could be used as bargaining chips in case a new round of negotiations is launched. Some Members may also have an interest in keeping the review going in order to prevent the launch of new trade liberalisation negotiations or, at least, to obtain a ‘down payment’ in the form of implementation concessions in exchange for agreeing to a new round.

The Chair’s Progress Report

The most interesting output of the October session was the Chairman’s Statement presented by Ambassador Bryn. The nine-page paper gives a fair indication of what formal special sessions and informal consultations have achieved to date. While emphasising that the statement was not a ‘negotiated text or claim to represent a consensus on all issues’, Ambassador Bryn noted that he was satisfied that it ‘faithfully reflected our work so far’. He was also careful to point out that the paper was organised according to issue areas that seemed to offer the ‘greatest prospects of progress’, but that this structure did ‘not at all imply’ that other proposals made under paragraph 21 ‘had been set aside or ignored’. Nevertheless, the statement’s omissions — which presumambly indicates discouraging prospects for immediate action — are more interesting than its inclusions.

Two particularly pressing issues for developing countries are conspicuously missing from the General Council Chair’s assessment of areas where progress is promising: agriculture and textiles.

Similarly, the statement says nothing about extensions of developing countries’ transition periods, although draft paragraph 21 proposes an across-the-board extension for compliance deadlines under the TRIPs and TRIMs Agreements. TRIMs extension requests are currently under case-by-case consideration in the Goods Council (see page 7) and TRIPs-related extensions have yet to be discussed anywhere. Meanwhile, the United States and the European Union have already intiated TRIMs-related disputes against India and the Philippines, and the US has challenged Argentina’s and Brazil’s pharmaceutical patent practices.

Potential ‘Deliverables’

The deliverables of the implementation review look meagre, at least within the 18-19 December deadline. Listing areas where progress has been made or seems possible, the statement starts off with potential actions to ease developing countries’ difficulties related to the Agreement on Sanitary and Phsysanitary Measures and the Agreement on Technical Barriers to Trade. Measures could include ensuring better developing country representation in international standard-setting organisations and a 12-month phase-in period for compliance with new SPS measures. Ambassador Bryn notes, however, that ‘some delegations have indicated that they need to consider this issue further.’

The statement holds out the possibility of more transparent administration of agricultural tariff rate quotas and simpler customs valuation procedures, as well as the establishment of an end-2001 deadline for completing the harmonisation of rules of origin.

Among possible areas where further work might yield progress are changes to income limits under which developing countries may provide industrial export subsidies, as well as modest improvement in the free movement of service providers.

On intellectual property rights, it would seem that the review will result in the General Council ‘urging’ the TRIPs Council to ‘continue work on clarifying the relationship between TRIPs and the Convention on Biological Diversity’; to ‘give positive consideration’ to granting observer status for the CDB Secretariat; and to exercise ‘due restraint’ on non-violation cases until the Council has completed its discussions on the issue. Technology transfer prospects centre on drawing up an illustrative list of incentives and better notification and monitoring procedures for such measures.

For most Agreements, the statement proposes that the relevant WTO Committees take up consideration of some of the implementation review issues, and report results back to the General Council.
responsibility for the problem. Against measures of emissions, the patterns essentially hold.

Without qualification, developing countries must disperse from the cluster shown in the figure below and move along the x-axis, reducing vulnerability, increasing per capita income and capacity. The challenge, at bottom, is to make the necessary growth trajectory synonymous with a climate change mitigation trajectory without compromising sustainable development aspirations.

The existing distribution of emissions (or the implicit distribution of rights to the global commons) is highly skewed in favor of Annex I countries, but there is no presumption either that the right to emit carbon, and a restriction on this right means a diminishment of development prospects. As discussed above, climate agreements recognize explicitly that the legal and moral imperative to reduce emissions falls on the wealthy and high-emitting (i.e., Annex I) countries, and non-Annex I countries must converge in the interest of global equity. The discussions below outline the key ethical arguments that underpin this and other approaches to equity.

Rights to the Global Commons

Stabilization of atmospheric carbon concentration in the next century at 450, 550, 650, and 750 parts per million, will require that per capita emissions plummet to the range of 0.2 to 0.4 metric tons per year – the “contraction and convergence” trajectory that has become central to the literature on global equity and climate change. Over a finite period of time, aggregate global emissions must contract to levels consistent with the absorptive capacity of global sinks, while per capita emissions of Annex I and non-Annex I countries must converge in the interest of global equity. The discussions below outline the key ethical arguments that underpin this and other approaches to equity.

Poverty and Vulnerability

Poverty and vulnerability are related to climate change in a number of ways. Climate change is likely to impact most adversely the poorest and most vulnerable populations. Climate policies and restrictions on carbon emissions have the potential to affect vulnerable groups most adversely. The industrialized, high-technology sectors of the North as well as the South have greater flexibility to adapt to globally agreed restrictions as well as the impacts of climate change, while marginalized groups, existing mainly at the periphery of industrial societies and using low-technology systems of production, are much more at risk.

More than a billion of the world’s population lives on less than one dollar per day. Other measures of poverty and vulnerability – lack of access to health, education, clean water, or sanitation – yield higher estimates of the impoverished. If poverty is defined more broadly to include quality of life and vulnerability concerns, the number of the poor would be estimated at around 2 billion – one in three. The consumption of these people does not pose a threat to the climate, but is a threat to their own lives. In the table that follows, the “excluded” are the vulnerable segment of the global population – the ones most threatened, not only from the risks of climate change, but also by global policy responses to climate change.

The route to prosperity for sustainer and excluded alike is the imitation of the consumption patterns and life styles of the overconsumers. However, this will result in unacceptable increases in carbon emissions and potentially disastrous interference with the climate system. There is a need for the identification of innovative programs that lead to poverty eradication and increasing prosperity without placing additional burdens on the ecological or climate systems.

Poverty and Inequality

Finally, equity concerns have generally focused on differences between rather than within countries, since poverty is concentrated in non-Annex I countries – especially Africa and South Asia – whose per capita income is less than one-fourth of the average for industrialized countries (UNDP, 1999; World Bank, 1999). However, when the time comes that mitigation measures are required by the South – as this argument suggests they will be – under present conditions of Southern preredaredness, intra-national inequalities will likely transfer the burden to poorer households. According to most studies, mitigation policies that imply higher energy prices will impose higher cost-burdens (relative to income) on less affluent households than on richer ones. This reflects the fact that the poor tend to spend a larger share of their income on energy. Equity considerations indicate that mitigation policies should include provisions that ease the costs to the lowest income groups.

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ENDNOTE

1 Were such a presumption to be advanced by any party, it would be resisted strongly by many individuals and institutions from the North as well as the South. Indeed, current agreements seek to correct the imbalance by placing limits on the emissions of industrialized countries while allowing the rest to enhance emissions.
EU Faces a Barrage of Opposition to Its New Banana Import Proposal

On 9 October, EU foreign ministers approved the European Commission’s most recent proposal for reforming the EU’s banana import regime, which has repeatedly been found to violate WTO rules. The proposal was to establish a transitional three-tiered tariff-quota regime, to be administrated on a ‘first come, first served’ basis. In 2006, the quotas are set to be replaced by a flat tariff.

The Commission proposes to establish two quotas totalling about 2.8 million tonnes at a tariff rate of €75/tonne, and a third quota of 850,000 tonnes with a €300 tariff. All quotas would be open to all suppliers regardless of the country of origin, but bananas from ACP countries would enter duty-free. ACP countries comprise the 71 African, Caribbean and Pacific developing nations party to the now-expired Lomé Convention. Fifty-five of them are also WTO Members. Latin American banana exporters are refusing to start consideration of a WTO waiver for the new EU/ACP Partnership Agreement until the EU banana import regime is finalised (see page 7).

The ‘first come, first served’ principle was adopted after banana producers failed to agree on a baseline for allocating import licenses according to past trade volumes. Under the new system, import licences would be granted on a weekly or bi-weekly basis to operators whose shipments arrive first in EU ports. Accepting the concept in principle, the Council nevertheless directed ‘competent bodies’ to examine the technical aspects of the scheme. Among those are difficulties in tracking shipments and allocating import licenses due to the large number of EU ports, which lack an on-line customs network.

Although EU member countries still differ on whether a tariff-only system should automatically replace the quota system in 2006, the Council gave its blessing to the Commission to start tariffication negotiations at the WTO. Having previously bound its banana import duty at €75/tonne, the EU is expected to seek to raise this tariff to €300/tonne in order to protect ACP bananas’ market access after the quotas are dismantled. Other parties to the banana dispute are unlikely to agree to such a high tariff, so far, indications are more in the range of an increase to €115/tonne. The Commission is to report the outcome of the tariff negotiations before the Council finalises its decision on the new import regime. The Council must also take into account the opinion of the European Parliament, which has not yet addressed the proposal.

Few Takers for the New Proposal

Ecuador, the world’s biggest banana exporter, is the only country involved in the WTO banana dispute to have conditionally approved of the Commission’s proposal. The government will press for a faster move to a tariff-only system (and a considerably lower duty than €300/tonne), because Ecuadorian producers are confident that they would have a significant competitive edge over other Latin American banana suppliers under a flat tariff. Ecuador can sell a crate of bananas for US$2.18, while a Colombian crate costs US$4 and a Costa Rican one more than US$5.

The US government will not endorse the proposal. It issued a statement saying that the proposed changes would perpetuate the GATT Article XIII violation on non-discriminatory administration of quantitative restrictions, and thus not resolve the dispute. In the US view, the proposed regime would maintain a separate tariff quota allocation for ACP bananas (by virtue of the €300 tariff preference in the 850,000 tonne quota, ed.). It would also allow ACP countries to export their entire production while, the US says, ‘Latin American countries would be severely restricted’. In addition, the Commission’s proposal would not only favour ACP producers but also the mainly European companies that market their fruit in competition with US-based distributors of Latin American bananas.

At the other end of the scale, ACP countries, which the new system purports to protect in a WTO-compatible manner, remain more sceptical. The Caribbean Banana Exporters Association, for instance, claims that even a high tariff preference would not guarantee market access. The CBEA calls for the maintenance – for at least ten years – of tariff quotas allocated on the basis of traditional trade flows. The implementation of either the ‘first come, first served’ quota regime or a tariff-only system would ‘lead quickly to the complete collapse of the Caribbean banana industry,’ the CBEA argued when the Commission released the proposal. ACP exports account for roughly 20 per cent of the EU market, and their collective banana export earnings equal just four percent of the combined sales of Chiquita, Dole and Del Monte. The Caribbean share of the EU market is about eight percent, while bananas represent more than half of the export earnings of some of the Winward Islands.

Among many similar reactions, Costa Rica’s Deputy Foreign Trade Minister Anabel Gonzalez said the move to ‘first come, first served’ license allocation would force down prices and jeopardise thousands of jobs. Panama’s Industry and Commerce minister Joaquin Jácome said the new regime’s continued ACP preferences would be ‘catastrophic’ for Central America. Other Central American critics noted the uncertainty that the new system would create, particularly for independent exporters.

Pressure Mounts on the EU

The US and Ecuador are both applying pressure to find a solution to the dispute. Unless the Commission comes up with an acceptable reform plan, the US will change the list of EU goods affected by US$191.4 million worth of trade sanctions in mid-November, as mandated by the US ‘carousel’ legislation adopted last May. Ecuador may also act on its right, confirmed by the Dispute Settlement Body in May, to ‘suspend concessions’ worth US$201.6 million, mostly under the TRIPs Agreement (Bridges Year 4 No.4, page 3).

On 26 September, Ecuador told the WTO Dispute Settlement Body that it might seek another panel to rule on the EU’s ‘obligation of reparation of injury’, as well as the illegality of favourable treatment for ACP bananas. Ecuador will not take further action on this threat, however, until it has thoroughly assessed the EU’s latest proposal and received the EU’s answers to a number of detailed technical questions.
Malaysia Challenges US on Shrimp-Turtle Implementation

On 23 October, Malaysia obtained the establishment of a compliance panel to rule on the United States’ implementation of the 1998 Appellate Body finding that its shrimp import regime violated WTO rules. In the most famous environment-related case of WTO history, the AB ruled that the US trade embargo on shrimp caught in a manner that harmed endangered sea turtles was in itself justified under GATT Article XX(g), but faulted the legislation’s implementation on several counts (Bridges Vol.2 No.7, page 9).

The main measure the US took to comply with the ruling was to change the law’s implementation guidelines. The old guidelines required the State Department to certify that the exporting country mandated the use of turtle excluder devices (TEDs) on all mechanical shrimping vessels; if the nation was not certified, even TED-caught shrimp from that country could not be exported into the US. In the new guidelines, the US complemented the nation-by-nation certification obligation with a shipment-by-shipment certification procedure in order to accomodate TED-caught shrimp from non-certified countries. A coalition of US conservation groups is trying to force the government to abandon the shipment-by-shipment exception, which they claim weakens sea turtle protection (Bridges Year 4 No.6, page 7).

Malaysia has always maintained that a shipment-by-shipment exception is not enough for good faith implementation. In its compliance challenge, Malaysia requested the panel that find that ‘by not lifting the import prohibition and not taking the necessary measures to allow the importation of certain shrimp and shrimp products in an unrestrictive manner, the United States has failed to comply with the [...] recommendations and rulings of the Dispute Settlement Body.’ Malaysia said that the panel should suggest that the US lift the import prohibition immediately.

Philippine and Indian TRIMs Measures under Fire

Also on 23 October, the Philippines and India blocked first panel requests by the US and the EU over local content and import-export requirements for foreign investors in the automotive sector. The US request targeted the Philippines while the EU sought a panel on similar measures maintained by India (a US-initiated panel on the Indian measures was established last July). The complainants claim that the restrictions violate the Agreement on Trade-related Investment Measures (TRIMs), which entered into force for developing countries on 1 January 2000.

The Philippines and other developing countries voiced strong objections to the panel requests, coming as they did before the Council for Trade in Goods had completed its review of specific requests for TRIMs transition period extensions filed by eight Members (see page 7). They also noted that the requests were contrary to an informal agreement reached in December 1999 to not exercise ‘due restraint’ in bringing dispute settlement cases with regard to Agreements where consultations were underway on expired compliance deadlines (the Philippines’ extension request for the measures targeted by the US, filed in October 1999, is still under consideration in the Goods Council). The US has also filed complaints against Argentina and Brazil, alleging violations of the Agreement on Trade-related Aspects of Intellectual Property Rights in the pharmaceutical sector (Bridges Year 4 No.4, page 5).

Attempt to Clarify DSU Provisions Fails at General Council

The same issues that brought the pre-Seattle review of the Dispute Settlement Understanding (DSU) to an impasse surfaced at a 10 October meeting of the General Council. The inconclusive end of the pre-Seattle review, particularly as to the sequencing of procedural steps before trade sanctions can be imposed, had brought 11 countries to informally elaborate a DSU amendment proposing a new DSU Article 21bis and other changes that would make it clear that a compliance finding must precede a request to the WTO to authorise trade sanctions.

The amendment proposal (WT/GC/W/410) was presented to the General Council because the deadline for the DSU review in the Dispute Settlement Body formally expired in July 1999. After that, India, Mexico, Malaysia and Egypt refused to continue the discussions, which had in any case become deadlocked (Bridges Year 3 No.8, page 8). The proposal submitted by Canada, Colombia, Costa Rica, Ecuador, Japan, Korea, New Zealand, Norway, Peru, Switzerland and Venezuela tried to isolate the sequencing issue from the other controversies of the review, but the US and the EU refused to endorse it.

Both insisted that any DSU amendment also include the changes they sought before the review process collapsed, but there is no chance of consensus on the demands of either. Most developing countries, and quite a few developed ones, strongly oppose US demands to include provisions on amicus briefs and on allowing the public to observe panel meetings. The US equally strongly objects to EU attempts to modify the DSU so it would either prohibit ‘carousel’ retaliation or at least mandate multilateral approval to changes in retaliation lists. The EU has already announced that it will request a panel on the US ‘carousel’ legislation as soon as the latter effects the first rotation of EU exports under sanctions, currently expected to occur in mid-November.

General Council Chair Kåre Bryn will consult with Members on how to proceed with dispute settlement reform. The Council will address the issue at its next regular meeting on 7-8 December.

Dispute Settlement Briefs

- The European Union has agreed to hold off until November its compliance panel request on new US legislation, designed to replace the tax regime for foreign sales corporations (FSCs). The regime’s tax breaks were condemned as illegal export subsidies by the WTO Appellate Body in February 2000. While the two sides agreed to extend the US compliance deadline until 1 November 2000 to give Congress time to adopt a new scheme, the EU has already announced that it considers the replacement regime equally WTO-inconsistent and will challenge it as soon as it passes Congress. At press time, however, it seemed unlikely that the US would be able to keep to the 1 November deadline (see also Bridges Year 4 No.7, page 5).

- The EU and the US are cautiously optimistic that a larger EU import quota for hormone-free beef might ease some of the sanctions on EU exports in the beef hormone dispute. Long-term, however, the EU still plans to demonstrate that its import ban on hormone-treated beef is sufficiently backed by science to be justified under the WTO’s SPS Agreement.
WTO Members continue to tread uneasily around the question of ‘external transparency’, or the role of non-governmental actors in the functioning of the multilateral trading system. Memories of the Seattle demonstrations still linger, stiffening many governments’ resistance to what they have readily dubbed as the ‘uncivil society’. Other governments, and the United States in particular, have taken the opposite position: Seattle proved that more transparency is necessary to maintain public support both for the trade system as it currently stands and for future trade liberalisation.

Five governments tabled proposals on external transparency at the General Council’s 10 October regular session. While these were not discussed in any detail, they provide a good cross-section of the variety of views held by Member governments.

In addition to less controversial suggestions, the US paper (WT/GC/W/413/Rev.1) proposes that the WTO begin opening some of the council and committee meetings on an experimental basis (including webcasting at least some meetings of the Trade Policy Review Body), as well as – and this is a veritable red cloth to many other Members – ‘ensuring that all parties’ submissions to [dispute settlement] panels and the Appellate Body are made available to the public, developing a mechanism to permit non-governmental stakeholders to present their views on disputes, and permitting the public to observe WTO panel and appellate proceedings.’

Developing countries, as well as Australia and Japan have been critical of dispute rulings that have affirmed panels’ and the Appellate Body’s right – but not obligation – to consider unsolicited amicus briefs by non-governmental sources. Their opposition to civil society observers at WTO meetings, and in particular in dispute settlement hearings, is even stronger. Many also object vocally to making governments’ submissions in disputes available, citing their confidential nature and the WTO’s character as a government-to-government organisation.

Other US proposals found an echo in papers submitted by the EU and Canada. The EU proposal (WT/GC/W/412) focussed mostly on increasing internal transparency, but did propose to improve public access to the trading system through: immediate derestriction of most WTO documents, increased contacts between the WTO Secretariat and civil society, enhanced dialogue between NGOs and Members through symposia, voluntarily opening trade policy review meetings to parliamentarians, and holding an annual open meeting of the WTO, back-to-back with a meeting of parliamentarians of WTO Members. In addition, the EU proposed a review of existing guidelines for interaction between the WTO and civil society, as well as exploration of a possible accreditation scheme for NGOs.

Canada’s document derestriction and Secretariat outreach proposals were along similar lines. The paper (WT/GC/W/415) also highlighted Canadian practice of making its dispute settlement submissions available on request, and urged other governments to do the same. In addition, Canada requested authorisation to webcast its own trade policy review to the public in December, but did not advocate that this become a regular practice. Most Members were doubtful about the Canadian initiative, citing possible erosion of the intergovernmental nature of WTO deliberations, as well as the potentially restrictive effect that rolling cameras would have on Members’ interventions.

Colombia’s informal statement stressed that the lack of greater external transparency had not been a ‘central element’ in the ‘unfortunate loss of credibility of the WTO’. Nevertheless, for a developing country, Colombia supported an unusually liberal document derestriction policy, calling for the ‘suppression of restricted documents, with the exception of those which are necessarily confidential in the area of dispute settlement.’ In addition, Colombia said the participation of observers ‘who have a clear thematic linkage to the formal meetings’ was necessary, but called for a clear definition such observers’ role. Members willing to ‘open a larger area of participation to non-Members’ should, however, do so at the domestic level.

Australia’s position disappointed advocates of a more open multilateral trading system. While each Member is free to design its national procedures, ‘WTO processes do not require radical change’, Australia argues (WT/GC/W/414). At most, more rapid dissemination of documents would be ‘desirable’. Australia warns that external transparency should not lead to non-governmental actors acquiring ‘rights/access to the dispute settlement system superior to those of Member governments.’ The acceptance of amicus briefs could confer such superior rights to NGOs, Australia says. The submission also opposes opening/webcasting meetings, partly on logistical grounds, and partly because open access through the internet would change ‘the nature and dynamic of the discussion at formal sessions [...] Inevitably greater use would be made of informal consultations, with the risk that formal meetings would become less meaningful for decision-making in the WTO.’

On other matters, Members held a heated debate on Switzerland’s proposal that the TRIPs Council report to the General Council on its work on geographical indications. Extending geographical indications protection to other goods than wines and spirits has become a major controversy at the TRIPs Council (Bridges Year 4 No. 7, page 10). See also page 6 on the General Council debate on amending the Dispute Settlement Understanding. General Council Chair Kåre Bryn is to consult with Members in November on how to proceed with external transparency and geographical indications issues. The Council’s next regular session is scheduled for 7-8 December.

ACP Waiver, TRIMs Extensions Remain Blocked at Goods Council

At the 16 October session of the Council for Trade in Goods, Latin American banana exporters continued to block consideration of a WTO waiver for the new Economic Partnership Agreement between the EU and 55 developing country WTO Members (ACP countries). Frustrated by the lack of progress in the banana dispute – and opposed to the EU’s latest proposal (see page 5) – these countries have conditioned consideration of the waiver request on the EU’s presenting an acceptable banana import regime, thus leaving the EU’s other trade preferences for ACP countries open to WTO disputes (Bridges Year 4 No.6, page 6).

While the Goods Council Chair reported progress in bilateral negotiations on the eight pending requests for extensions of TRIMs compliance deadlines, no decisions were taken. Meanwhile, disputes initiated against India and the Philippines have drawn a barrage of objections from developing countries (see page 6).
The Fourth UN Conference to Review all Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (the UN Competition Code), took place in Geneva on 25-29 September 2000. The Conference concluded its work by unanimously adopting a comprehensive resolution reaffirming the value of the Set, and called upon all States to implement its provisions. The resolution also addresses recommendations to the General Assembly, inviting it to convene a Fifth Review Conference in 2005, and calls upon the UNCTAD Commission on Trade in Goods and Services, and Commodities to establish a new Expert Meeting on Consumer Policy, in addition to the existing Intergovernmental Group of Experts (IGE) on Competition Law and Policy, which continues to meet annually. Other main provisions of the resolution are addressed at the UNCTAD secretariat and contain a long-term programme of work on competition and consumer protection laws and policies.

The next meeting of the IGE on Competition Law and Policy will pay special attention to merger control action and to the interaction between competition policy and intellectual property rules. The general orientation of the work programme is divided in four main areas, as decided earlier in the year, by UNCTAD X in Bangkok (February 2000). The main lines of UNCTAD’s action in the fields of competition law and policy and consumer protection are the following:

- Continuation and, resources permitting, expansion of capacity-building in developing countries and economies in transition;
- Helping authorities in creating a competition culture by educating the public at large, including the private sector;
- Study of the links between competition, competitiveness and development, as well as trade-related aspects of competition, and
- In-depth study of the development impact of possible international agreements on competition laws and policy, including the possibility of special and preferential treatment of developing countries and dispute mediation mechanisms at bilateral, plurilateral and multilateral levels.

**The Role of Competition in Market-oriented Economic Reforms**

The results of the Fourth Review Conference have to be placed in the context of the in-depth economic reforms underway in the world economy. One of the main results of these reforms – on par with the increased reliance on market forces brought by globalisation and liberalisation – is that the issue of competition has risen to the forefront. This is because competition is an essential ingredient for the success of a market economy.

Competitive forces ensure that consumers will get the best possible quality and choice of goods and services at the lowest possible price at a given point in time (static efficiency) and force enterprises to make use of their ingenuity and inventiveness, including research and development processes to launch innovations as rapidly as possible (dynamic efficiency). Last but not least, except in a limited number of ‘market failure’ cases, the impetus of competition will ensure optimal allocation of resources throughout the economy (allocative efficiency). In order to ensure that competition really does bring benefits, however, there is a need to constantly promote and defend it, in particular to prevent competition from eventually killing competition through a ‘winner takes all’ syndrome, where dominant firms are able to eliminate their rivals before these can threaten the formers’ position of control in a market.

In other words, while economic reforms – be it deregulation, privatisation, trade liberalisation and foreign investment liberalisation – may increase competition after liberalisation takes place, countries may see their competitive situation deteriorate unless rules are implemented in an effort to guarantee that markets remain competitive over the longer-term.

**Rules are needed to keep dominant firms from killing competition through the elimination of rivals before they threaten the formers’ control of market share.**

**Trade Distorting Effects of Anti-competitive Practices**

It was this concern that the founding fathers of the GATT had in mind when they included provisions to regulate ‘restrictive business practices’, or companies’ anti-competitive practices in chapter V of the Havana Charter in 1946. The same reason guided the adoption of Articles 85 and 86 of the Treaty of Rome in 1957, which is at the origin of the European Union. The hypothesis is that as governmental barriers to trade are gradually reduced and eliminated, enterprises might create trade-distorting barriers to their advantage by applying anti-competitive practices. Hence, the need for regulating enterprises’ restrictive business practices. This was successfully agreed by the European Community at the sub-regional level but failed to be agreed at the multilateral level at the Havana Conference.

As is well known, the provisions aimed at reducing trade-distorting governmental measures were adopted at Havana, leading to the General Agreement on Tariffs and Trade or GATT, while provisions on competition by enterprises were dropped. It was only at the Singapore Ministerial Conference of the WTO in December 1996 that the issue of the interaction of trade and competition policy came back to the GATT/WTO, with the decision to establish a Working Group on Competition at the WTO. While the Working Group only has a mandate to study the links between trade and competition policy and to start an educative process in this respect, some WTO members made it clear that their objective was to launch negotiations on a multilateral framework on competition at the next round of trade negotiations. The Singapore Declaration also called on UNCTAD and other organisations active in the field of competition law and policy ‘to ensure that the development dimension is fully taken into account’ in this WTO process.

**The role of UNCTAD in adopting the UN Set**

The preponderant role of UNCTAD in the Singapore resolution is a result of the rising participation of the developing countries and economies in transition in the international trading system. It was concerned about development priorities that led UNCTAD to launch work in the field of ‘restrictive business practices’ in the early 1970s, subsequently resulting in the adoption of the ‘Set of
Adaptation to Climate Change: Advancing the Agenda for Collective Global Benefit

By Ian Burton

In the climate negotiations very slow progress has been made in the identification and adoption of adaptation measures and policies. In the early days of the negotiations adaptation was even thought to be “politically incorrect” since success in adaptation might lessen the need and the pressure for mitigation. Now adaptation is more accepted as an essential part of a comprehensive portfolio of responses to climate change, mostly because it is recognized that it is impossible to stop climate change in the short term, and that damages are already occurring. As a consequence several new policy questions have emerged. How is adaptation to climate change to be defined and especially how is it to be distinguished from the adaptation which has always taken place to “normal everyday climate”? How are adaptation priorities to be set? Where does the responsibility for adaptation lie? How should adaptation measures and policies be evaluated? And on what basis can costs be distributed among different regions, countries and international donors?

The research and expert communities, as represented for example in the Intergovernmental Panel on Climate Change, do not have ready answers to these questions. This is partly explained by the over-whelming attention that has been given in both research and policy to the mitigation question. It is also due to the fact that impacts and adaptation research has been structured in terms of a linear cause and effect framework, that goes from global climate models, to regional climate scenarios, to impacts on bio-physical systems, to impacts on socio-economic systems, to spontaneous adaptation and finally to planned adaptation measures and policies. This effort has, indeed, proved a useful input to the mitigation negotiations. Typically, however, the studies run out of time and resources before adaptation can be seriously addressed.

There are also more fundamental reasons for the lack of progress on adaptation. The information produced from research studies and national assessments, tends to be limited to lists of potential adaptation measures of which there are a large number. Policy makers are left with suggestions of actions that might be taken to respond to uncertain future climate conditions, in the context of unknown future socio-economic circumstances. Such information is not designed to capture the attention of decision makers or practitioners who are quite correctly preoccupied with more urgent short term problems such as economic growth, productivity, development, poverty alleviation and equity, public health, energy supply, efficiency and security, and related salient issues.

For adaptation to find its proper place in the climate negotiations it must be more firmly grounded in legitimate present day concerns of both developing and developed countries. Surprisingly perhaps, this can be achieved by two simple changes which together represent a revolution in our habitual way of thinking about adaptation:

• Move adaptation from the tail end of the research and policy process to the front, and begin negotiations in earnest on international collaboration for adaptation.

• As a matter of urgency take immediate steps to begin improving adaptation to current climate variability and extremes.

This reversal in thinking (stopping thinking of adaptation as something which ‘comes later’) brings new information to bear on the climate issue and points the way to answers to the policy questions raised above. Few countries are well adapted to current climate. Losses from extreme weather events have increased dramatically in the past two or three decades. This trend is serious in developed countries – as the recent floods in the Alps, for instance, illustrate – but at least those losses can be absorbed without serious long-term economic consequences.

In developing countries the losses in disasters of a few days duration can amount to the equivalent of a decade’s worth of economic growth and development, as exemplified in the Hurricane Mitch disaster in Guatemala and Honduras, and the floods in Mozambique. While such events capture the headlines, the total losses are probably less that the cumulated costs of less spectacular losses from smaller floods, droughts, coastal storms, windstorms, and a host of less extreme weather phenomena.

There are immediate benefits to be gained from improvements in adaptation (vulnerability reduction), which might well be higher depending on the severity and rate of climate change. In the absence of action, the global toll of weather losses will continue to rise with adverse consequences for developed as well as developing countries. Not only are development project investments at risk, including infrastructure, but the need for international disaster assistance will continue to rise. Economic growth will be adversely affected, and the number of internally displaced persons and transboundary refugees will grow. Political instability has often been associated with natural disasters. Hence the adoption of win-win or no regrets adaptations to climate change are in the interests of the Annex I Parties to the UNFCCC as well as the developing countries.

The evidence strongly suggests that human societies are not now well adapted to climate variability, and that vulnerability is actually being increased by unsustainable development patterns. This includes the expansion of human settlements into hazardous locations such as deltas and low-lying coastal zones, flood plains, steep and unstable hill slopes, and areas of uncertain rainfall. As described in a World Bank report it also reflects lack of attention to weather and climate risks in internationally funded development projects, and calculations based on short time horizons and high discount rates.

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The adoption of ‘win-win’ or ‘no regrets’ adaptation measures to climate change are as much in the interests of Annex I Parties as those of developing countries.

Continued on page 12
The Economic Uncertainties of the Clean Development Mechanism

Article 12 of the Kyoto Protocol establishes a ‘Clean Development Mechanism’ (CDM), which allows countries to create certified emissions credits through joint ventures between entities in the host developing country and partners from developed countries. The credits are set to be traded – either sold on an open market or through multilateral institutions such as the World Bank – and used by industrialised (Annex I) countries to comply with their Kyoto emissions limits. Unlike greenhouse gas emissions trading or JI projects (i.e. ‘joint implementation’) between Annex I Parties, which can only be initiated after 2008, CDM activities and credits can be initiated as early as 2000. Disagreement persists, however, over what projects would be allowed to generate credits prior to the formal implementation of the CDM.

Despite an early ‘banking period’, important details regarding the CDM’s precise functioning are still unresolved. For example, although land-use change and deforestation releases account for about 22 percent of annual carbon dioxide emissions, it remains to be decided whether sequestration or emissions reduction activities will count as official greenhouse gas reductions. The same irresolution prevails with regard to procedures by which emissions reductions activities will be measured, verified and certified, and the means by which funds will be raised to pay for CDM administration and developing country adaptation activities.

Financial Flow Projections

Estimates of the size of the CDM and the magnitude and direction of financial flows that would stream into developing countries help explain its importance to developed and developing country negotiators alike. Most estimates on the mechanism’s size vary from 300 million metric tonnes of carbon (MtC) and 500 MtC of CDM credits annually (i.e., between 40 and 70 percent of total reductions required). Estimates on financial resources – which assume offset options in developing countries could make up almost half of total reductions during the first reduction period – are between US$5 billion to US$17 billion per annum by 2010, or US$25 billion to US$85 billion for the whole 2008-2012 budget period. The higher estimates assume a full global market and very low marginal costs for reduction outside Annex I countries, while the low range assumes permits sold by countries whose economies have contracted since 1990 (in particular, Russia and the Ukraine), as well as potential reduction of other greenhouse gases and cost-effective ‘no regrets’ measures.

The total credit value would be complemented by the total investment value of CDM projects – between 10 and 20 times the credit value – possibly adding substantially to OECD official development aid of about US$50 billion per annum. Some analysts think, however, that foreign investment in developing countries generated by CDM projects might imply a shift in investment patterns rather than a significant overall increase in capital inflows. Several economic models suggest that up to 75 percent of CDM investment would be taken up by China and India because of the numerous low-cost abatement opportunities concentrated there. This is corroborated by the fact that, as of November 1999, only nine of 129 pilot AIJ projects took place in Asia and five in Africa while 79 projects were undertaken in economies in transition.

The flip side of assessing the CDM's potential value as a credit stream to developed countries is assessing its impact on altering the development path of developing countries. One of the CDM’s objectives is to contribute to less carbon-intensive growth through the transfer of energy-efficient technology and know-how from developed to developing countries.

Where Will the Money Go?

Here again, the AIJ pilot phase projects are a good indicator of the potential sectoral breakdown of CDM activities. The pilot projects focused strongly on forestry activities, which accounted for over 60 percent of annual reductions. The criteria for CDM forestry projects have not yet been agreed, however. Besides worries about forestry activities providing carbon credits too easily, there may be other problems. For instance, some forestry and land-use greenhouse gas offset projects could lock up productive use of resources from future generations. Similarly, if changes in rice cultivation or livestock feed and management practices increase costs but not productivity, such projects would not meet general sustainability criteria. Should the criteria be expanded to meet the over-riding imperative to eradicate poverty and other social injustices in the shortest possible time, developing countries would demand that projects tackle problems as they relate, for example, to protecting the competitive edge of smaller producers, especially if new CDM technologies and the related processes of international trade threaten to squeeze them out of the market.

Nearly 40 percent of AIJ pilot project reductions came from the energy sector and industrial use. As the power sector is responsible for a large share of greenhouse gas emissions and is expanding fast in all countries, it is likely to become the one most targeted by CDM projects. The majority of credits will probably be earned in large hydro projects, with only a small fraction from new renewable sources. Were nuclear credits permitted by governments – unlikely it seems – they would not be very large but still greater than renewables. Financing energy efficiency, industrial process improvements, as well as some renewable energy and waste-to-energy options that are ready for application on a wide scale, could go some way towards making the transition towards sustainable development, but not all the way.

From an economic standpoint, provided that credits under all the Kyoto Protocol mechanisms are denominated equally (e.g., one metric tonne of carbon equivalent), the competitiveness of the CDM versus other investment options under joint implementation, international emissions trading or domestic actions is a key issue. It is clear that restrictions on fungibility reduce both developing country share of profits and environmental effectiveness (i.e. the amount of abatement achieved by a given expenditure decreases). Other restrictions have similar effects on efficiency, including: the exclusion of ‘legal entities’ (such as emitters, emissions brokers, etc.) from participating in trades; restricting sales of joint implementation credits not needed by the selling country to cover its actual emissions, as could occur under some liability proposals; and requiring CDM credits to be transferred to the government of the investor country with no possibility for subsequent trade. It has been pointed out that awarding credits for CDM projects starting in 2000, but not awarding these for joint implementation projects between Annex I countries, could bias emission reduction investment decisions toward CDM projects, but much will depend on the final design of all the Kyoto flexibility mechanisms. The export of allowances could also be initiated through a ‘unilateral’ CDM, i.e. domestic energy efficiency and infrastructure investments made by developing countries themselves, which could be financed through World Bank or private sector Brady-type bonds.
Sub-Saharan African countries must wait somewhat longer before benefits from the African Growth and Opportunity Act (AGOA), signed into law by President Clinton on 18 May, will start to flow. While President Clinton announced on 2 October that 34 countries had been ‘designated as beneficiary’ under the Act, none of them can increase exports to the US until the United States Trade Representative certifies that customs procedures such as visas are in place and enforced to prevent trans-shipment. Currently only Kenya, Mauritius and Lesotho have a visa system, but USTR has yet to determine whether those systems are ‘effective’. According to USTR, technical assistance will be offered to beneficiary countries on visa arrangements and country of origin certificates.

The Act broadens market access for ‘essentially all products’ from eligible sub-Saharan African countries, including textiles and apparel. To be eligible, however, a country must fulfill several criteria, such as ‘continual progress toward establishing a market-based economy, the rule of law, the elimination of barriers to US trade and investment, economic policies to reduce poverty, the protection of internationally recognised worker rights and a system to combat corruption.’ Additionally, countries must (i) not engage in activities that undermine US national security or foreign policy interests, (ii) not commit gross human rights violations, (iii) not provide support for acts of international terrorism, and (iv) have implemented their commitments to eliminate the worst forms of child labour.

Even when these conditions are fulfilled (14 of the 48 potential candidates did not qualify), market access will not be limitless. Some sensitive commodities such as coffee and sugar are excluded, and textiles trade is carefully regulated. Only products and apparel made from US yarn and fabric, or from yarns and fabrics not available or produced in commercial quantities in the United States, will have completely quota- and duty-free access. Apparel made from regionally-produced (African) fabric must not exceed 1.5 percent of total U.S. apparel imports in the first year. The percentage will rise to 3.5 percent in 2008. Twenty-eight sub-Saharan African countries with an annual per capita income of less than $500 will be allowed to bring in textile products made of third country (i.e. non-US and non-African) yarn and fabric. Such imports will, however, be capped under the regional fabric limit.

Civil Society Urges Resistance

The African Secretariat of the Third World Network – a non-governmental organisation with close ties to many developing country governments – has launched a campaign urging civil society organisations to lobby their governments not to apply for AGOA ‘eligible country’ status because accepting US eligibility criteria would tie their hands at the WTO. For instance, TWN writes, the Act ‘instructs the President to “encourage” African “countries to bring their legal regimes in compliance with the standards of the WTO” [...] Some of these requirements are contained in WTO Agreements, which African governments have found to be to their disadvantage and are struggling to change. They include issues such as TRIPs, TRIMs and agriculture support. Other requirements like labour standards and investment form part of the new issues, which the US has been trying to promote, against the wishes of African and other developing countries. Therefore by making these requirements a conditionality for some supposed benefits, the AGOA sets a trap for African governments to concede to the wishes that the US government is having difficulty achieving in the WTO.’

The TWN argues that AGOA’s benefits are ‘illusory’ because goods that might negatively affect American producers are excluded, and because the requirement that US raw materials be used will ‘work against the ability of African countries to develop, either individually or together, their own domestic raw materials base to textiles, and therefore undermine the development of an integrated textile industry in Africa.’ The organisation also notes that textile quotas will be removed anyway under existing WTO rules.

Meeting in Cairo in September 2000, trade ministers of the Organisation of African Unity members also called for caution in joining the US initiative until all its implications had been assessed.

EU Drug Policy Framework Is too Weak

The European Commission has also come under civil society criticism over its framework proposal on ‘accelerated action targeted at major communicable diseases within the context of poverty reduction’ released in September. The paper outlines a number of actions that could be taken to strengthen developing countries’ ability to cope with HIV/AIDS, malaria, tuberculosis and other infectious diseases that disproportionately affect poor nations (BRIDGES Year 4 No.7, page 14).

Participating in a round table organised by the Commission to develop a detailed action plan based on the policy paper, the non-governmental Médecins sans Frontières argued that the proposal did not go far enough in making the newest and most efficient drugs available to developing countries. The Nobel Prize-winning organisation said that it was time to drastically cut prices of AIDS and multi-drug-resistant tuberculosis medicines, as had earlier been done with vaccines and contraceptives (the polio vaccine, for instance, costs 125 times less in developing countries than in industrialised ones). MSF also urged developing country governments to use TRIPs safeguards to override drug patents when companies refuse to lower their prices to affordable levels.

The EU will present the action plan to G-8 leaders at their December summit. According to Trade Commissioner Pascal Lamy, the EU is seeking a ‘comprehensive and synergistic approach’ to making key pharmaceuticals more affordable. At the round table meeting, Mr Lamy reiterated the Commission’s willingness to examine tiered pricing, parallel importing and licensing arrangements, but stopped short of calling for compulsory licensing for new drugs. Instead, he stressed that developing countries already could address ‘public health concerns and emergency situations’ through compulsory licensing – provided that the conditions of TRIPs Article 31 were fulfilled. Among those is that the right holder ‘shall be paid adequate remuneration in the circumstances of each case’.

In related news, US Trade Representative for Services and Intellectual Property Rights Joe Papovich confirmed in August that no sub-Saharan African country had announced changes to its HIV/AIDS drugs policy pursuant to President Clinton’s May 2000 Executive Order, which forbade retaliation – in the form of withdrawing unilateral concessions – for parallel importing or compulsory licensing practices that are compatible with the WTO TRIPs Agreement (BRIDGES Year 4, No.4, page 9). Bilateral agreements between the US and other countries, as well as the US General System of Preferences (GSP) often mandate even more stringent intellectual property protection standards than TRIPs.
What does this analysis suggest for response to the adaptation policy questions posed above? First, from the perspective of the impacted country or community, it matters little whether the losses are caused by natural climate variability or human-induced climate change. From an Annex I country perspective the distinction is important because the UNFCCC provides for country assistance to the most vulnerable developing countries in meeting the costs of adaptation to climate change, but not normal climate or climate variability.

This difference can be resolved by resort to the notion of incremental costs. Adaptation to normal climate and climate variability and extremes can be provided for, as now, through the normal channels of development assistance although it needs to be asked if the levels of assistance are commensurate with the severity of the problem. The incremental cost resulting from the need to design systems to be less vulnerable to climate change can be provided for under the funding mechanism of the UNFCCC. While an exact scientific basis for distinguishing between normal climate and climate change does not exist, quantitative benefit-cost and sensitivity analysis, supplemented by expert judgment, should be able to narrow the range sufficiently to make negotiated agreements possible.

The determination of adaptation priorities can be based at least in part upon experience of recent losses from climate variations including extreme events. It is much more practical to answer the question “where does the shoe most pinch now?” than the question, “where might the shoe most pinch in the future?” It does not invariably follow that the reduction of vulnerability to present day climate will coincide exactly with what may be needed in the future, but in the overwhelming majority of cases it would be a step in the right direction, and the discrepancies can be identified. From this perspective adaptation measures and policies should be evaluated in a similar way to investments in other development activities as part of a national development strategy.

Hence the responsibility for adaptation lies primarily with the country or the community where the adaptation is to take place. International assistance is appropriate to help the incorporation of climate change risks into development and to meet the incremental costs. So far the donor community has been slow to provide support for the costs of adaptation, and assistance has been largely limited to the preparation of National Communications under the UNFCCC.

The CDM’s Potential Contribution

The prospect of increased funding for adaptation has been raised by the inclusion of adaptation costs under the Clean Development Mechanism of the Kyoto Protocol. It is proposed to levy a charge against CDM projects to support adaptation. A recent estimate suggests that, depending upon assumptions, the revenue so generated could range from US$100 million to US$2.1 billion on an annual basis.

Over the following three decades the total rose from 71.1 billion, to 127.81 billion to 198.6 billion and reached 608.5 billion in the 1990’s, of which US$109.3 was insured. In 1999, the annual total was US$100 billion. These estimates are on the high side because they include losses in developed as well as developing countries, and earthquakes as well as atmosphere related events. On the other hand they do not include the losses from the many more frequent weather events which cause an unknown but possibly higher level of damage.

If the revenues for adaptation that are produced by the CDM are at the low end of the scale of estimates it seems unlikely that they will come close to meeting the needs.

The argument for financial assistance for adaptation might be more compelling if one other option is considered. A stumbling block on the way to ratification of the Kyoto Protocol has been the insistence of some Annex I Parties to the Convention that the developing countries should also accept some obligations to reduce emissions or at least to grow them more slowly. The targets and schedules for developing country emissions would not be the same as for developed countries but the principle of some commitment to eventually reduce emissions is considered important. The developing countries for their part have strongly resisted making such commitments, at least until the developed countries have demonstrated the seriousness of their own stated intent to reduce emissions. A negotiated agreement can be imagined therefore in which the developing countries would accept commitments to reduce greenhouse gas emissions provided that significant funds are made available (for example through the Global Environment Facility) to meet the costs of adaptation.

A further elaboration of this agreement could include the search for adaptation measures which also serve to help in emissions reduction or carbon sequestration. The impact of climate variability and extreme events can be reduced by measures such as land use planning, watershed treatment and conservation, reafforestation, urban planning and design which also serve to reduce emissions or sequester carbon.

In both research and policy, adaptation and mitigation have been treated as separate categories that do not mix. As the climate debate proceeds a convergence of interests is slowly emerging in which issues of trade and technology transfer (for both mitigation and adaptation), the management of climate change and sustainable development can be pursued in a more integrated way for the global collective benefit.

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ENDNOTES

Improving Integration Between the WTO and the UN System

By Urs Thomas

The WTO stands out in the general perception as the one towering intergovernmental organization that is sufficiently detached from the quarrelsome UN family to be able to provide the global community with strong rules-based governance in economic matters. I would argue, however, that the WTO is not really a distinct organization, but rather it is a tight network of multilateral agreements, which are part of a wider organizational system. This network, whose other actors are mostly UN organizations, could be called the WTO system.

**New Challenges to the Organizations of the WTO System**

This discussion will be limited to trade and environment issues because of their long-term consequences. In addition to the WTO itself, the most important trade and environment organizations within the WTO system are the Codex Alimentarius Commission and the World Intellectual Property Organization (WIPO). These two are explicitly referred to in WTO Agreements, namely in Annex A 3(a) of the Sanitary and Phytosanitary Agreement in the first case, and in the preamble as well as in Articles 63.2 and 68 of the Agreement on Trade-Related Aspects of Intellectual Property Rights in the second case. These two organizations form an interorganizational system with the WTO, because they complement each other in their core competence through multilaterally negotiated agreements. The FAO should also be included here, because agriculture, forests and fishing constitute such a central part of trade policy, as well as environmental policy.

It is striking that all three organizations are presently grappling to adjust to the recent introduction of GM crops into international trade. The Codex Alimentarius has been unable to reach a consensus on genetically modified food labelling and has set up a task force to deal with this question. WIPO has recently terminated a series of fact-finding missions and is preparing a report on traditional and indigenous knowledge, innovation and practices and their relation to article 8(j) of the Convention on Biological Diversity. And finally, after numerous difficulties, the revision of the FAO's International Undertaking on Plant Genetic Resources looks set to be completed in November.

The UN Environment Programme (UNEP) has assumed a position of leadership in the promotion of mutually supportive trade and environment policies. It recently launched an extensive consultative process with the secretariats of international environmental conventions and the WTO, as well as with government representatives, with the objective of promoting synergies between the multilateral trading system and multilateral environmental agreements (MEAs).

**A New Organization: More than just Public Relations?**

A wide-ranging discussion is currently taking place on the desirability of a new environmental umbrella organization, which might be called World Environment Organization (WEO). The creation of a WEO was championed by Daniel Esty in his 1994 book *Greening the GATT*, and the French government revived the idea this past July as a key objective of its presidency of the European Union. The trade and environment community on the whole seems rather skeptical about the initiative, at least for now. In a debate in the Financial Times in July 2000, Calestous Juma criticized the project as the wrong approach. He argued – rightfully, I think – that it is more effective to integrate environmental concerns into trade policy, than to create a new organization which should look after them. Daniel Esty on the other hand perceives a need to do exactly the opposite, i.e. to “relieve the stress on the WTO” due to the burden of having to take up environmental issues located outside its core trade competence.

In a more ideal world I would agree with Esty; trade and environment should be more segregated. For the time being, however, potential and actual environmental disputes with large economic stakes can hardly avoid the risk of winding up before the WTO’s Dispute Settlement Body, which means that multilateral environmental policy has to be “WTO compatible”. The main problem in the WTO-MEA relationship is that short-term quantifiable economic pressures tend to outweigh long-term environmental considerations based on controversial scientific and economic arguments. These economic pressures are not only looming over actual potential disputes, but – perhaps even more importantly – also over ongoing and planned negotiations concerning MEAs with major economic stakes, such as climate, biosafety, chemicals or oceans.

As Konrad von Moltke points out, the UN system is “famously resistant to any coordination”, and a WEO would therefore invariably lead to fierce turf battles. Nevertheless, there is a strong and widespread feeling that global environmental governance needs to be strengthened, and that the planned Rio-plus-ten conference in 2002 represents a window of opportunity for tightening institutional structures.

Such discussions are going on not only at UNEP, but also at other fora, such as the Global Ministerial Environment Forum (held for the first time in Malmö, Sweden in May 2000), or the Informal Meeting of Environment Ministers (held for the eighth time in Bergen, Norway in September 2000). The issue of institutional innovation will also undoubtedly be an important subject at the emerging Environmental Management Group, which resulted from the UNEP-led Task Force on Environment and Development. Clearly, there is presently a certain institutional effervescence in the air, even though there was no consensus at the recent Bergen meeting with regard to the creation of a WEO.

**The Importance of an Integrated Approach**

This is why in recent MEA discussions and negotiations terms such as *coherence, consistency, mutual supportiveness,* and *deference to other agreements* are cropping up again and again. The Biosafety Protocol, for instance, stipulates in its preamble that “trade and environment agreements should be mutually supportive with a view to achieving sustainable development.” A recent submission by Switzerland to the WTO Committee on Trade

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and Environment emphasizes in the same vein that the WTO should decide whether environmental trade measures constitute an unjustifiable discrimination (often called green protectionism), but that at the same time the WTO should pay deference to the competence of the MEAs.

These signposts on the MEA landscape point towards an approach that endeavors to integrate economic and environmental concerns, and could perhaps logically be called “ecolomics”. Such a comprehensive approach is exactly what the drafters of Article 4 of the Rio Declaration had in mind: “In order to achieve sustainable development, environmental protection shall constitute an integral part of the development process and cannot be considered in isolation from it.” Steve Charnovitz’s suggestion to create a WEO based on the model of the International Labor Organization’s tripartite structure, i.e. to provide it with a membership which includes governments, businesses and NGOs, also aims in that direction.5

The linkage between trade and environmental concerns will remain a difficult issue to negotiate with or without a WEO, not only because of GM food, but because of other unresolved trade and environment problems, such as ecolabelling, process and production methods, approaches to risk management or environmental standards. There are undoubtedly many possibilities that can lead to a constructive and more intensive WTO-MEA dialogue, the WEO scenario is one among several alternatives. The question then arises: under which conditions could a WEO bring an improvement over the status quo? How do we know that the whole exercise goes beyond the objective of initiating a public relations exercise without much political will?

The answer to this question is essentially quite simple. The creation of a WEO makes sense only if it clearly demonstrates an increased commitment of the industrialized countries to shift the protection of the global ecosystem onto a higher level of priority. The acid test of this commitment has to be the provision of increased and more stable funding for UNEP. If a WEO were created at the expense of UNEP, then its start-up conditions would certainly not be very favorable. Last but not least, with or without a WEO, the WTO-MEA relationship can only be improved and made mutually supportive if the developing world will support it, which will require increased technical assistance and capacity building measures.

Urs P. Thomas is Research Associate at the Department of Public International Law of the University of Geneva.

ENDNOTES

1 The WTO-WIPO Collaboration Agreement Entered into force on 1 January 1996.
2 Calestous Juma is director of the Science, Technology and Innovation Program at Harvard University’s Center for International Development.
3 Daniel Esty is director of the Yale Center for Environmental Law and Policy, New Haven.
4 Konrad von Moltk is a Senior Fellow, International Institute for Sustainable Development, and Adjunct Professor, Dartmouth College.
5 Steve Charnovitz, an Attorney at Law in Washington, is a co-founder and former director of the Yale University-based Global Environment and Trade Study.

The main objective of the UN Code is the same as those of Chapter V of the Havana Charter and the Treaty of Rome stated above: ‘to ensure that restrictive business practices do not impede or negate the realisation of benefits that should arise from the liberalisation of tariff and non-tariff barriers affecting world trade, particularly those affecting the trade and development of developing countries’. The Set calls for the prohibition of anti-competitive practices among rival enterprises (cartels) at national, import, export and international levels; it prescribes the control of abuses of dominant positions of market power; invites States to adopt and effectively enforce competition legislation and to cooperate with each other in this field. It also calls upon the international community and UNCTAD in particular, to provide technical assistance, as well as advisory and training services to developing countries in this field. Last but not least, it provides for ‘special and preferential’ treatment for development purposes. Since 1980, UNCTAD has actively participated in the capacity building of developing and other countries in the field of competition law and policy. This process has been monitored annually by the Intergovernmental Group of Experts on Restrictive Business Practices, renamed in 1995 as Intergovernmental Group of Experts on Competition Law and Policy; as well as by Review Conferences at five year intervals, the fourth of which took place on 25-29 September 2000.

The Outlook

The question now is whether the WTO process in the Working Group on the Interaction between Trade and Competition Policy will eventually lead to negotiations on a multilateral framework on competition, taking into account the development dimension, as called for in the Singapore Declaration. While some trading partners consider that the UNCTAD voluntary Set of Principles and Rules is sufficient in this respect, others believe that the international trading system as embodied in the WTO Agreements should be complemented with a comprehensive agreement on competition.

Future will tell whether what was started at the Havana Charter – but proved impossible at the time – will eventually prove possible within the WTO. In any case, as the world economy increasingly needs to take into account the development dimension, UNCTAD should continue to play an important role in the area of competition policy in the coming years. UNCTAD X explicitly summarised the issues at stake in its Bangkok Declaration, adopted in February 2000 as follows:

‘……. the international community as a whole has the responsibility to ensure an enabling global environment through enhanced cooperation in the fields of trade, investment, competition and finance […] so as to make globalisation more efficient and equitable’.1

Philippe Brusick is Head of the Competition and Consumer Policy Branch at UNCTAD. The opinions expressed in this note are those of the author and do not necessarily represent an official position of UNCTAD.

1 Bangkok Declaration: Global Dialogue and Dynamic Engagement paragraph 4.
On 27 September, the European Centre for Development Policy Management (ECDPM) and ICTSD jointly organised a one-day expert meeting on “Helping the ACP integrate in the world economy”. The objective was to contribute to setting an agenda for practical research, capacity building, dialogue and information on trade issues for ACP countries and regions. The meeting was attended by 30 participants including NGOs, academics, consultants, ACP missions to the WTO, regional agreement representatives (COMESA, ECOWAS, WAEMU, CARICOM), donors, WTO and UNCTAD.

Participants highlighted the fact that ACP countries all face at least three sets of trade negotiations in the coming years. First, they need to complete their implementation of existing WTO agreements, participate in current negotiations on services, agriculture, TRIPs and implementation, and prepare for a possible new round. Second, with the Cotonou Agreement just signed, the ACP and the EU have agreed to ‘start formal negotiations on economic partnership agreements’ (EPAs) in 2002 to replace the Lomé system of unilateral non-reciprocal trade preferences by WTO compatible free trade agreements between the EU and individual countries or regional groupings. Finally, all ACP countries are members of one or several economic groupings, which are accelerating their regional integration process.

For the large majority of ACP countries and regional bodies, the challenges ahead are considerable. In that context, participants recommended that ACP countries first and foremost define their own development policy objectives and formulate their trade policy as a part of this broader strategy. Research should focus on how to insert these objectives into trade agreements and how to strengthen negotiating capacities. What are the actual benefits of negotiating with the EU versus negotiating multilaterally? What are the impacts of possible EPA scenarios (for instance, free trade agreements with reciprocity based on thresholds and development performance or standard free trade agreements with longer transition periods)? What margin of manoeuvre is there to elaborate WTO compatible alternatives for countries opting out of EPAs (enhanced GSP or special and differential treatment under the WTO)? What are the relevant regional groupings to tackle the various negotiations and how to strengthen them? Many participants insisted on the fact that the agenda and the terms of reference for research should be defined, and carried out, by ACP institutions in priority. This effort should fully involve civil society and the private sector in order to focus on policy- and negotiations-relevant research and bridge the gap between ‘producers and consumers’.

On capacity building, participants identified three main levels: implementation of trade agreements, building consensus and formulation of trade policy, and building human and institutional capacities. To meet these needs, participants stressed the importance of creating a critical mass of well-informed stakeholders – including various ministries, civil society and the private sector – able to fully determine their own interests and how they apply at the regional and multilateral level. This backstopping capacity could be achieved through the creation of information networks, new curricula and degrees in law and economic faculties of ACP universities, legal assistance and training and structured interactive dialogue mechanisms involving relevant stakeholders for trade policy formulation. And finally, participants insisted on the need to efficiently mobilise ACP expertise and to build research and negotiating capacities at the regional level. In that context, some participants cited the successful experience of the Caribbean Regional Negotiating Machinery (RNM), and suggested that other regions might find this a useful model while keeping in mind their regional specificities.

In the following weeks, a discussion paper comprising papers commissioned for the meeting and the results of the discussions will be published, as well as a 4-page brief jointly produced by ECDPM and ICTSD. For more information and copies of the papers presented at the meeting please contact ICTSD or consult ECDPM and ICTSD websites at www.ictsd.org or www.ecdpm.org.
## MEETINGS

WTO meetings take place in Geneva. Dates may change, please contact the WTO for confirmation. http://www.wto.org/
All WTO phone and fax numbers start with (41-22) 739. Only extensions are provided in this list.

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<td>November 17</td>
<td>Trade, Poverty and the Environment: Methodologies for Sustainability Impact Assessments of Trade Policy</td>
<td>Inst. for Development Policy and Management, University of Manchester, tel: (44-161) 275-2800, fax: 273-8829, e-mail: <a href="mailto:idpm@man.ac.uk">idpm@man.ac.uk</a></td>
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<td>November 23</td>
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<td>WTO Council for Trade-related Aspects of Intellectual Property Rights</td>
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<td>December 4-6</td>
<td>UNCTAD Expert Meeting on the Impact of Anti-dumping and Countervailing Actions</td>
<td>UNCTAD, tel: 41-22) 907-5007</td>
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<td>December 4-9</td>
<td>Intergovernmental Negotiating Committee for a Treaty on Persistent Organic Pollutants (INC5)</td>
<td>UNEP Chemicals, tel: (41-22) 917-8193, e-mail: <a href="mailto:pops@unep.ch">pops@unep.ch</a>; <a href="http://irptc.unep.ch/pops/">http://irptc.unep.ch/pops/</a></td>
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- Chairman’s Statement – General Council: Informal Meeting (on implementation concerns).
- Environmental Beneﬁts of Removing Trade Restrictions and Distortions: The Fisheries Sector (WT/CTE/W/167). Note by the WTO Secretariat.
- External Transparency: Informal Statement by Colombia
- Improving the Functioning of the WTO System (WT/GC/W/412). Discussion Paper from the European Community to the WTO General Council.*
- Resolving the Relationship Between WTO Rules and Multilateral Environmental Agreements (WT/CTE/W/170). Submission by the European Community.*