



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

Volume 15 · Number 8, 9 March 2011

LEAD STORIES

TRIPS Council: Members Debate Biodiversity, Access to Medicine	1
WTO Doha Round: Despite Calls for Acceleration, Differences Persist.....	3

OTHER NEWS

Stumbling Blocks Appear in Negotiations on UN LDC Summit	5
FAO: Food Prices Hit New Peak.....	7

IN BRIEF

In Bid to Boost Clean Transport, India Cuts Duties on Electric Car Components	8
End in Sight to US-Mexico Trucking Dispute	9

WTO IN BRIEF

Bilateral Talks to Dominate Upcoming WTO Ag Negotiations	10
Georgia to Resume Talks with Moscow on Russian WTO Accession.....	11

EVENTS & RESOURCES

Events	11
Resources.....	13

Bridges Weekly Trade News Digest© is published by the International Centre for Trade and Sustainable Development (ICTSD), an independent, not-for-profit organisation based at Ch. de Balexert 7, 1219 Geneva, Switzerland, tel: (+41) 22-917-8492; fax: 917-8093. To subscribe to Bridges Weekly Trade News Digest or access back issues, visit <http://ictsd.net/news/bridgesweekly/>.

Bridges Weekly Trade News Digest is made possible through the generous support of the Government of the United Kingdom (DFID) and ICTSD's core donors including the governments of Finland, Denmark, the Netherlands and Sweden. Your support to BRIDGES and the BRIDGES series of publications is most welcome; if interested, please contact Andrew Crosby, Managing Director at acrosby@ictsd.ch or (+41) 22 917 8335. Excerpts from Bridges Weekly Trade News Digest© may be used in other publications with appropriate citation. Comments and suggestions are welcomed and should be directed to the editor (bridges_weekly@ictsd.ch) or the director (rmelendez@ictsd.ch)

Contributors to this issue of Bridges Weekly Trade News Digest© are Andrew Aziz, Ammad Bahalim, Trineesh Biswas, Hannah English, Paolo Ghisu, Martin Harms, Jonathan Hepburn, Joachim Monkelbaan, and Anne Pfister. Director: Ricardo Meléndez-Ortiz.

LEAD STORIES

TRIPS Council: Members Debate Biodiversity, Access to Medicine

WTO members last week debated how current global intellectual property rules affect biodiversity protection and access to medicine, but made little progress on either issue, both of which are priorities for developing countries.

The Council for Trade-related Aspects of Intellectual Property Rights (TRIPS) met on 1 March to discuss the use of a system intended to smooth poor countries' access to patented drugs, as well as whether WTO rules need to be amended to require patent applicants to disclose the use of any genetic materials in an invention. Such disclosure requirements have long been a demand of many developing countries, backed by a number of developed countries. The recently completed Nagoya Protocol to the Convention on Biological Diversity (CBD) provided new fuel for the longstanding debate; the absence of disclosure requirements in the protocol rekindled demands for amending TRIPS to prevent biopiracy.

Ultimately both discussions, which continued from the TRIPS Council's last session October, resulted in few new country positions.

Biodiversity and TRIPS

The TRIPS Council spent the bulk of its time addressing the relationship between the TRIPS Agreement and the Convention on Biological Diversity.

Members addressed three points: the status of the CBD secretariat in the TRIPS Council, a proposal by Bolivia to exclude life forms from patentability, and a proposal to add a "disclosure requirement" to TRIPS Article 27.3(b) to make up for its absence in the Nagoya Protocol. Of these three

points, the last consumed the majority of the speakers' time.

On the status of the CBD, many WTO members, and especially developing countries such as Brazil, South Africa, and India, called for allowing a CBD secretariat representative to participate in TRIPS Council discussions. They argued that doing so would help clarify issues such as the implications for TRIPS of the Nagoya Protocol, instead of requiring WTO members to figure it out for themselves. (In the absence of a CBD representative, Japan briefed the session on the Nagoya Protocol and its relation to TRIPS.) The United States argued against including a CBD representative, on the basis that doing so would unnecessarily waste the limited time of the Council. Members, the US delegate contended, already had to acquaint themselves with Nagoya anyway. The issue was left unresolved.

Beyond the process issue of whether to let the CBD attend Council meetings, members also had substantive questions about the Nagoya Protocol and its relation to TRIPS Article 27.3(b), which covers the patentability (or exclusion from patentability) of plant and animal inventions. Although many governments had hoped to include a disclosure requirement for patent-seekers in the Nagoya Protocol, they did not succeed in doing so. As a result, many developing countries reiterated support last week for amending the TRIPS agreement to include a disclosure requirement -- one that would punish failure to disclose with patent revocation. As in the past, this support ran into opposition from some developed countries.

While developing country backers of a disclosure requirement argue that it would add transparency to the patent process and discourage biopiracy, some developed countries, most prominently the United States, argued that it would be unduly burdensome and stifle innovation. The US instead supported an alternative transparency mechanism proposed by Canada, namely a patent information database. However, developing countries such as Colombia and Brazil argued that a database would be insufficient to cover the universe of traditional knowledge. The issue was left unresolved.

Proposals for more far-reaching amendments to Article 27 also arose during the meeting. Bolivia, with the support of Venezuela, proposed changing the TRIPS agreement to exclude life forms from patentability altogether. Bolivia argued that the "privatization of life itself" reduced human moral development, and that these concerns should not be assessed on the basis of economic value alone. Other developing countries expressed interest in evaluating the Bolivian proposal, but few endorsed it altogether. Switzerland and the US argued that patents only apply to new, commercial inventions anyway, and that life as such cannot be patented under the current rules. Overall, the Bolivian proposal received little attention compared to the other topics.

Debate over 'Paragraph 6 system' continues

Delegations also discussed the provision of generic medicines to countries that lack domestic capacity to produce them.

In the wake of concerns that drug patent rules in the TRIPS agreement were making lifesaving drugs inaccessibly expensive in poor countries, WTO members agreed on a system for allowing cheap generic copies of patented drugs to be produced under compulsory licences for the purpose of export to countries that needed them. However, that 'Paragraph 6 system' -- so named for the relevant section of a 2001 declaration in Doha reaffirming that TRIPS should not prevent governments from taking measures to protect public health -- has been criticised by some for being almost unusable because of complex procedural requirements. Since the Paragraph 6 system was set up in August 2003, it has been successfully used only once, by a Canadian generic manufacturer exporting HIV/AIDS medicine to Rwanda.

As a result, much of the Paragraph 6 discussion in the TRIPS Council centered on why it has been used so little. Some countries offered their own experiences with the use of compulsory licensing. Brazil, for example, described its domestic HIV/AIDS compulsory license program. In 2007, in an attempt to restrain the growing cost of its HIV/AIDS treatment programme, Brazil issued compulsory licenses authorising the generic production of the widely used HIV/AIDS drug

Efavirenz, which cut the per dose price by two-thirds, from \$1.59 to \$0.53. As HIV/AIDS patients grow resistant to older drugs, they require new, generally more expensive drugs.

Recognising that pharmaceutical innovation in more effective HIV/AIDS drugs came with serious research and development costs, Brazil suggested that WTO members look at the balance of incentives underpinning the Paragraph 6 system. Brazil called for a "a balance between the rights granted to IPR owners and the interests of society as a whole", and in this regard, "to include other stakeholders in this discussions so that we can better understand why the system is no being used and agree on ways to improve it."

Indeed, both developing and developed countries called upon each other to provide more information so that the Paragraph 6 system could work properly. In the previous TRIPS Council in October, developing countries asked developed countries to provide more information on their technology transfer and safety regulations for exporters, since these regulations could prevent developed country generic companies from exporting to developing countries. In turn, developed countries asked developing countries to provide answers about how developing country importers experienced the Paragraph 6 system. To the frustration of developed countries, developing countries did not have answers ready at the time of the latest TRIPS Council meeting. However, the developed countries were able to provide some answers to the developing countries' questions on technology transfer and safety regulations.

Finally, some developing countries requested information workshops that would gather NGOs, pharmaceutical companies, and relevant practitioners in the field to explore more deeply the reasons behind the failure to implement Paragraph 6. Developed countries left the option open, but emphasised that governments' experience should be shared in the TRIPS Council regardless. Whether the workshops will be undertaken remains to be seen.

ICTSD reporting; "Nagoya gives new context to old views in intellectual property council," WORLD TRADE ORGANIZATION, 1 March

2011; "Patentable subject matter, IP waiver for health discussed at WTO," EUROPEAN AIDS TREATMENT GROUP, 3 March 2011.

WTO Doha Round: Despite Calls for Acceleration, Differences Persist

WTO members need to step up their efforts to reach an agreement in the Doha Round of trade talks by the end of the year or else risk missing a key 'window of opportunity', senior trade diplomats said Tuesday. But their comments during an informal session of the Trade Negotiations Committee underscored that major differences of substance and perception continue to stand in the way of an accord.

In calling for accelerating the negotiations, members backed the assessment made by Director-General Pascal Lamy in his statement to the meeting. The WTO chief, who chairs the committee that oversees the Doha Round negotiations, warned members that the progress achieved in the various negotiating groups and in meetings of smaller groups was insufficient for the timetable they were targeting. "We should not fool ourselves," he said. "Our current process — at each and every level — remains too slow and continues to fall short of the tangible substantive breakthroughs to be captured by negotiating chairs in the revised texts which they will bring out around Easter."

Updated draft texts, Lamy reminded members, were necessary both as a stepping-stone towards an agreement and to establish a common basis for negotiations among the entire WTO membership, particularly for the sake of small delegations who do not take part in most informal groupings. "For those texts to really move the negotiations forward, though, there need to be more substantive inputs from negotiators," he said, calling for "a serious acceleration of the pace of work."

"We need to see delegations move from extreme positions towards the middle ground, with compromise proposals starting to emerge," he added, suggesting that bilateral and plurilateral work on market access issues also needed to move faster.

Ambassadors from several countries, such as Pakistan, Colombia, Canada, Korea, and Australia agreed that the window of opportunity was shrinking for a Doha Round breakthrough this year.

The TNC meeting saw some members voice concern about the negotiating process. While many recognised that smaller groups had an important role to play in the search for compromise, they stressed that bilateral and plurilateral talks were no substitute for the multilateral forum. Mexico, for instance, warned that no one could negotiate in its name – and cautioned that a bilaterally negotiated deal might prove not to represent everyone. On behalf of the group of least-developed countries, Bangladesh asked for access to small group meetings when issues of importance to LDCs were being discussed. The African Group stressed that bilaterals should not replace the multilateral track.

Brazil: Problem of substance, not process

Process is not the reason the talks are not moving forward, argued Roberto Azevedo, Brazil's ambassador to the WTO.

“We do not have a problem of process,” he said in his intervention. “We have a problem of substance. No process, regardless of how representative, inclusive, or transparent it may be, will cure this fundamental substantive problem.”

Calls for speeding up the talks and expressions of optimism were well and good, he said, but some “the size of the actual existing gaps” between members' positions remained considerable.

Like China, India, and other large developing countries, Brazil has faced demands for greater market-opening for manufactured goods and in its services sector, particularly from the US. Brazil has been more vocal than others in rejecting these demands, calling them unreasonable and disproportionate to the agriculture trade reform that developed countries have put on the table in the negotiations.

In a clear rebuke to the US, Azevedo said that Brazil had tempered its expectations for

agricultural subsidy and tariff reform, and worked to reconcile unhappy domestic interest groups to “what is actually achievable.” He criticised “a few developed members” for seeking new concessions on NAMA and services, while leaving agriculture “off the table” with the possible exception of cuts to unused farm subsidy spending allowances (“water,” in the language of trade negotiators).

“Additional concessions from any member have to be compensated with gains for them,” he said. “Real market access can only be exchanged for equally real market access.”

US officials say that the parameters for industrial tariff cuts set out in draft negotiating texts dating back to 2008 do too little to provide “real market access” – i.e., force down applied tariffs, rather than simply lower bound ceiling rates that can be far above the duties being levied – in major developing economies. They have argued that in order to provide such market access, China, Brazil, India, and others must sign on to initiatives that would deeply cut tariffs across entire industrial sectors, such as chemicals, auto parts, and forestry products.

Azevedo said that Brazil had “emptied [its] pockets” during the July 2008 attempt to reach a deal. The parameters in the draft texts, he argued, would cut Brazil's applied manufacturing tariffs by 33 percent in “strategic and vulnerable sectors” such as automobiles, textiles, footwear, and toys – even when using the flexibilities afforded to developing countries to shield some products from the full force of tariff cuts.

US officials have argued that large developing countries need to assume responsibilities in the Doha Round negotiations commensurate with their economic weight. Azevedo countered in the TNC that “every study done so far – by Brazil, by the WTO secretariat, or by independent entities – shows that, in this round, Brazil will create more trade than any developed country.” He called attempts to downplay Brazil's contribution “disingenuous to say the least.”

The Brazilian ambassador warned that if participation in “sectorals” comes to be seen as the main vehicle for manufacturing trade liberalisation, with nothing offered in return,

“then we have not reached the ‘endgame’; we have reached the ‘end of the game.’”

Azevedo argued that Brazil’s latitude to make market-opening concessions had been constrained by the appreciation of the real versus the dollar in recent years, which he attributed to ultra-loose monetary and fiscal policies in developed economies. Between 2006 and 2010, he said, Brazil went from a \$9.9 billion trade surplus with the US to a \$7.8 billion deficit, with the \$17.6 billion swing attributable entirely to manufactured products. “Given this scenario, it is simply unrealistic to expect further significant and unilateral NAMA contributions by Brazil,” he said.

In his own intervention, US Ambassador Michael Punke did not address the possibility of a fundamental mismatch in expectations among members. He simply pointed to constructive engagement on NAMA sectorals and services, and called for further work, reiterating the US’s view that bilateral talks were necessary for “serious discussions of possible gives and takes on a ‘what if’ basis.”

“Each of us is looking for a balance so that each of us can go home and say that the final deal, while not perfect, is reasonable,” Punke said. “It will require the active involvement of all of us to find that balance.”

Members highlight priorities, call for compromise

A number of groups and individual members highlighted specific concerns. For instance, the LDC group asked about what market access they were likely to receive as a result of a Doha Round agreement, and called for more work on a ‘waiver’ that would allow members to give preferential access to LDC services suppliers. The African Group noted that beneficiaries of longstanding trade preferences would be hurt if major markets reduced tariffs – and with them, preferential margins – to zero or very low levels, and called for products in preference schemes to be excluded from sectorals. The group also called for progress on a monitoring mechanism to ensure that special and differential treatment provisions for developing countries are effective.

Several delegates called on members to abandon maximalist positions and accept that they would not receive everything they wished for. Australia pointed to a recent exploration of alternative ‘hybrid’ approaches to identifying and liberalising trade in environmental goods as an example of the flexibility needed.

ICTSD reporting.

OTHER NEWS

Stumbling Blocks Appear in Negotiations on UN LDC Summit

As governments prepare for an important United Nations summit on promoting development in the world’s poorest countries, preliminary negotiations on the agreement to be adopted there have been marked by differences on issues as fundamental as the meeting’s objectives and its general outcome, as well as follow-up processes and institutional arrangements, and how they will be monitored and evaluated.

UN members are set to meet in Istanbul from 9-13 May for the Fourth United Nations Conference on the Least Developed Countries (UNLDC-IV). They have set themselves the task of assessing the plan of action adopted at the last such conference, in Brussels in 2001, and to adopt new strategies to support the sustainable development of LDCs.

As the conference draws near, the New York-based inter-governmental preparatory committee for the conference has stepped up the pace of discussions. LDC governments, the EU, the US, Japan, Switzerland and a group composed of Canada, Australia and New Zealand (CANZ) have taken the lead in submitting proposals, which have come to constitute the current draft negotiating text.

The record of the three previous UN LDC conferences has been unimpressive. In the years since the first summit in 1981, the number of LDCs, instead of shrinking, has grown from 25 to

48. Qualification as an LDC is based on low income (less than \$745 per person per year), weak human resources (measured by indicators of nutrition, child mortality, school enrolment, and adult literacy rate), and high economic vulnerability (measured by population size, remoteness, diversity of goods exported, share of agriculture etc.). Only Botswana (1994), Cape Verde (2007), and Maldives (2011) have graduated from LDC status. The rapid economic growth seen in much of the developing world in recent years has been unevenly distributed; many LDCs have missed out, and are likely to fall short of internationally agreed developmental objectives such as the Millennium Development Goals.

The Istanbul conference was supposed to be different. It was to create an international framework to facilitate LDCs' achievement of human development goals. Concrete policies adopted there were to help foster a structural transformation of LDC economies in order to facilitate their rapid graduation. But as the conference draws closer, it has become clear that significant differences separate key governments in the negotiations.

Preparatory talks for the Istanbul meeting have revolved around topics including trade, development financing, investment, the effects of the food and economic crisis and the identification of strategies to foster economic and social resilience to future shocks, along with the challenges posed by climate change.

On trade, the discussions have centered on issues including duty- and quota-free market access for LDC exports, Aid for Trade (AfT), and regional cooperation. Securing unrestricted market access for their exports has been a major priority for some LDC governments in recent years – particularly for Asian LDCs vis-a-vis the US market, where they do not benefit from preferences that Washington offers to African LDCs. At the WTO's Hong Kong Ministerial Conference in 2005, governments agreed that “developed-country Members shall (...) provide duty-free quota-free market access on a lasting basis, for all products originating from all LDCs” – albeit with a potential exception for up to 3 percent of tariff lines. LDCs such as Bangladesh complain that their undiversified export baskets

mean that this exception could cover all of the small number of products in which they are internationally competitive. While the EU provides duty- and quota-free access to all LDCs, the US and Japan do not, because of import sensitivities in sectors such as textiles and clothing, and fish.

In their proposals reflected in the draft text after the first Preparatory Committee meeting in January, LDCs, the EU, and CANZ call for duty- and quota-free access for all products from all LDCs in line with the Hong Kong Ministerial Declaration (Australia and New Zealand offer unrestricted access to all LDC exports; Canada does to nearly all). In contrast, Japan commits itself simply to “make the best effort” to provide such access. The US, for its part, did not mention duty- and quota-free market access in its proposals. Developing countries, which were mandated by the Hong Kong declaration to provide similar access to LDCs if they deemed themselves in a position to do so, are yet to table any proposals on the subject in the UNLDC negotiations.

With regards to Aid for Trade, LDCs have been calling for a significant increase in aid to enhance their trade competitiveness. They want this increase, intended to remedy their infrastructure bottlenecks and other supply side constraints, to go beyond already-planned flows of Official Development Assistance (ODA). Thus far, the draft text for Istanbul does not reflect this request for additionality in Aid for Trade funding. CANZ suggested implementing AfT in a manner consistent with donor commitments and recipient needs; the EU emphasised that AfT should be given more consideration in recipients' own national planning. The EU called for exploring why AfT flows to LDCs are lower than those to other countries, and proposed changing this in favour of LDCs. Japan's proposal, for its part, said that maximum use should be made of Aid for Trade “to mainstream trade activities driven by the private sector.” The US proposal did not mention AfT or so-called ‘additionality’ beyond planned ODA.

Regional integration, including ‘South-South’ cooperation among developing and least-developed countries, was only marginally

mentioned in the recent draft. The US and EU texts mentioned the importance and benefits trade with developing countries could bring to LDCs. With regards to the long-struggling Doha Round of multilateral trade talks at the WTO, both said that a swift conclusion would foster development for LDCs.

In addition, the draft text calls for LDC services suppliers to be granted more favourable market access. Such preferential access is currently the subject of a 'waiver' being negotiated at the WTO. Other subjects covered by the Istanbul draft text include rules of origin, which it says should be simple, transparent, harmonised, and predictable for all LDC products and services. The EU suggested that the G-20 group of leading economies could play a strong role in providing greater market access for LDCs along with simpler and more development friendly rules of origin.

LDC delegates said that the new text so far provides little hope for major improvements upon the Brussels Program of Action (BPoA). One delegate mentioned that the Brussels plan as such was good, but it lacked monitoring and evaluation mechanisms. This need was yet to be reflected in the new text, prompting concern among some LDC officials. With regards to trade, said one, "what is really needed is a Hong Kong-*plus* agreement", since the Istanbul text will probably set the development agendas for LDCs for the next 10 years.

Divisions over the draft text suggest that intensive negotiations will be necessary if governments are to agree on a new development strategy for LDCs in time for the conference in Istanbul. The next meeting of the Intergovernmental Preparatory Committee will be held in New York, 4-8 April.

"The ideas are there, but its implementation into action is missing so far." said one LDC delegate.

ICTSD reporting.

FAO: Food Prices Hit New Peak

A UN measure of international food prices this week climbed to its highest level since the index's

creation in 1990, surpassing peaks reached during a commodity price spike in 2008.

The increase in the index -- for the eighth consecutive month -- concealed considerable variation among different commodities.

Sugar prices, for instance, have decline slightly since January. In contrast, cereals, dairy, meat and oilseeds [continue](#) their upward creep.

A sugar expert at the UN Food and Agriculture Organization, cautioned that the slight decline in prices "was due fluctuations outside of the sugar market fundamentals." Emphasising that "the market remains tight" he told Bridges that "the surplus that we estimated [this year] is being reduced from what we originally thought." Exchange rates, futures market movements and changes in perceptions explained the slight decline even though sugar prices still remain at historic highs. The official also added that major producers such as Brazil were shifting substantial amounts of cane output to sugar rather than ethanol since prices were so high.

Prices for maize, which are now well above the 2008 records, are the highest among cereals. This has been blamed on low stocks and high demand in international markets as well as within the US, where corn is converted into ethanol for use as fuel.

Brian Wright, of the University of California, [notes](#) that one third of US corn production is now used for biofuels. He believes that government policies encouraging the use of biofuels may be partially responsible for higher and more volatile prices and has argued for flexibility in ethanol blending mandates.

Higher prices, such as in Somalia, where prices for the cereal have increased 141 percent since last October, and in Kenya, facing an increase of 21 percent since January, are likely to increase the number of people at risk of undernourishment, according to the UN Food and Agriculture Organization. Fears of poor harvests in South Africa due to a lack rain are driving prices up for local animal feed and exports to Asia.

Prices for wheat have also risen, albeit not as

quickly. Droughts and flooding in major exporters such as Australia have pushed up prices, even as worries have eased over crippled wheat production in China, the world's largest producer, thanks to rain and snow that [brought](#) moisture to farmland at a critical juncture. An FAO official told Bridges that the "wheat crop [in China] will be affected but not as much as some had feared." Moreover, fearing food price driven inflation, Beijing had already acted by increasing support to farmers and regulating consumer prices.

Prices for rice -- a key staple in many developing countries -- have increased. However, they continue to remain well below their 2008 peaks, which has been one of the key differences about the current rise in prices. Ample export availability from major suppliers and the absence of unusual weather has kept prices from spiking. The fact that "no one has introduced export restriction" was a key factor in keeping prices below 2008 levels, an FAO official said.

The FAO attributes the marginal increases in rice prices since January to the strength of the Thai baht against the US dollar.

The People's Daily Online, a newspaper published by the Central Committee of the Communist Party of China, made the case that "[China's food security \[is\] fully guaranteed.](#)" The country's reserves are high, it said, noting that China remains "95 percent self sufficient" in grains.

IMF paper: Structural factors to blame

Although low stocks and bad weather have been blamed for the increase in prices for key farm commodities, a recent International Monetary Fund [report](#) suggested that rising incomes and increasing demand for animal protein in developing countries are the major forces behind long term upward price trends.

The authors, Thomas Helbling and Shaun Roache, argue that current prices, once adjusted for inflation, are well below those recorded during the Great Depression of the 1930s, and are therefore likely to increase. Although, they predict higher prices in the longer term they add that in absence of more bad weather, "the recent food price surge can be expected to ease when the new Northern

Hemisphere crop season begins later this year."

They predicted that it would take years for the food supply to become sufficiently resilient to demand.

Nonetheless, Olivier De Schutter, Special Rapporteur on the Right to Food, [told](#) the UN Human Rights Council that small-scale farmers could double food production within 10 years in critical regions by using ecological methods, contributing to sustainable growth in the food system. Adopting such methods, however, is also likely to take years.

ICTSD reporting. "Global Food Price Monitor," UNITED NATIONS FOOD and AGRICULTURE ORGANIZATION, 3 March 2011; "Record Food Prices May Persist as Economic Growth Boosts Demand, IMF Says," BLOOMBERG, 4 March 2011; DeSchutter, Olivier (2010), "Agroecology and the Right to Food" UNITED NATIONS HUMAN RIGHTS COUNCIL, A/HRC/16/49; Helbling, Thomas and Shaun Roache (2011), "Rising Prices on the Menu" FINANCE & DEVELOPMENT 48 (1), March 2011; "China's food security fully guaranteed." PEOPLE'S DAILY ONLINE, 9 March 2011.

IN BRIEF

In Bid to Boost Clean Transport, India Cuts Duties on Electric Car Components

India last week signalled its intention to help nurture a more sustainable transportation sector by announcing customs-duty exemptions and concessions for electric and hybrid cars in its annual budget. These, along with cuts in duties for solar module manufacturers, are among a slew of duty concessions announced by Indian Finance Minister Pranab Mukherjee in New Delhi last week.

"We are glad that the government has woken up to the need to encourage alternate fuel and electric vehicles," says Karl Slym, president and managing director, General Motors India. "We will

showcase an electric version of our mini car next month. Though we have not decided whether to launch it here or not, if the government follows up the budget with more incentives, it will only help us decide.”

Not all observers were as positive. The Centre for Science and Environment (CSE), a prominent environmental think-tank based in New Delhi, argued that the budget “skirts the real issues” in the Indian transport sector, pointing to subsidised diesel that was overused by relatively rich car owners. It also blasted the government for not doing more to encourage public transportation.

While the duty exemption did not extend to fully assembled electric or hybrid cars, it covered specific parts such as battery packs and chargers. Similarly, basic customs duties on several inputs for producing solar modules were also reduced to zero. The reductions were in line with a government initiative to significantly accelerate the production of solar power in India over the next decade. The initiative also aims to enable a strong manufacturing base for solar equipment in India. In an initiative aimed at enabling Indians in far-flung villages “to partake of developments in green technology,” Mukherjee announced that duties on solar lanterns would be reduced from 10 to 5 percent.

Another environment-related budget item was a duty exemption for crude palm stearin, a fully biodegradable and non-toxic input used in the manufacture of eco-friendly laundry soaps and bio-based asphalt, an emerging green technology used in road construction.

Duty cuts have become a hallmark of Indian budgets in recent years. The reductions are to the ‘applied’ duties that are levied by Indian customs authorities, and are theoretically reversible up to the ‘bound’ maximum rates that are part of India’s obligations at the WTO.

ICTSD Reporting; “General Motors’ electric Beat to hit roads next month” HINDUSTAN TIMES, 4 March 2011; “Direct subsidy transfer,” The Economic Times, 16 February 2011; “Budget skirts the real issues, does not do enough for environmental concerns: CSE,” CENTRE FOR

SCIENCE AND ENVIRONMENT, 29 February 2011.

End in Sight to US-Mexico Trucking Dispute

Washington has agreed to lift a longstanding ban on allowing Mexican trucks to operate on US soil, a move that would end a dispute that has hampered trade relations between the two countries for years.

The deal, announced last Thursday after a meeting between Presidents Barack Obama of the US and Felipe Calderon of Mexico, would have Mexico suspend 50 percent of the retaliatory tariffs it has been levying on certain US goods upon Congressional approval of a plan to allow Mexican trucks to operate in the US. The rest would be lifted once the first Mexican carrier starts operating in the US, according to a US trade official.

The trucking dispute has been a point of contention in the bilateral trade relationship since the start of the North American Free Trade Agreement involving the US, Mexico, and Canada in 1994. Under that agreement, the US agreed to allow cross-border trucking. However, it has failed to open its border to Mexican trucking, citing concerns over the ability of Mexican trucks to meet safety and environmental standards.

Mexico was granted the right to retaliate in the form of punitive tariffs on US goods after a NAFTA dispute panel ruled in its favour in the late 1990s. It began to impose duties in 2009, after Washington eliminated funding in 2009 for a George W. Bush-era pilot program designed to allow the eventual phase in of Mexican cross-border trucking. The duties, which have amounted to \$2.4 billion, have applied to goods like pork, cheese, corn and even Christmas trees.

The pact will require participating Mexican truck drivers to meet US safety standards, including drug tests and English language requirements. It also mandates on-board electronic recorders that track the truckers’ hours to ensure compliance with US hours-of-service and related laws.

US labour unions, however, have decried the deal, arguing that it will undermine safety and threaten jobs. The trucking deal “caves in to business interests at the expense of the travelling public and American workers,” said Jim Hoffa, the president of the International Brotherhood of Teamsters, the organisation that represents unionised US truckers.

Business groups, on the other hand, praised the lifting of the ban as an important signal that the US is adhering to its obligations under global trade agreements.

The removal of Mexican sanctions on US goods would be in line with the White House’s goal of increasing US exports.

The US Transportation Department hopes to have proposed rules for Mexican trucks to operate in the US ready for Congressional briefing and public comment by the end of March or early April. Mexico said on Sunday that it hopes to have its first truck on US roads in about four months.

ICTSD reporting: “Obama close to Mexican trucks deal,” FINANCIAL TIMES.COM, 4 March 2011; “Mexico, US announce plan to end border trucking dispute,” BLOOMBERG, 3 March 2011; “Mexican trucks ready to cross into US territory,” REUTERS, 6 March 2011; “Mexico to reduce tariffs on US goods by 50 percent to help end trucking dispute,” BLOOMBERG, 6 March 2011; “US, Mexico agree to settle truck feud,” THE WALL STREET JOURNAL, 4 March 2011.

WTO IN BRIEF

Bilateral Talks to Dominate Upcoming WTO Ag Negotiations

Bilateral contact between major trading powers is likely to dominate farm trade talks until the end of next week, delegates said on Wednesday, as the chair of the WTO's agriculture negotiations kicked off ten days of consultations in Geneva.

Discussions among a small group of trading powers have increasingly taken centre stage in the

bid to break the deadlock in the long-running Doha Round of talks, as the chairs of the various negotiating areas work to produce revised draft texts by the last week of April. However, recent initiatives from Mexico and Brazil to explore linking concessions across separate negotiating areas have so far failed to generate new movement in the troubled talks.

The chair of the agriculture negotiations, New Zealand Ambassador David Walker, has invited some three dozen countries from a cross-section of coalitions and world regions to a meeting on Friday, and indicated he plans to hold separate consultations with smaller groups. Trade officials nonetheless indicated that there was not yet any indication of what these meetings might hold in store.

A negotiator from one major country privately queried whether the slow pace of talks in recent weeks would suffice to allow the chair to prepare revised drafts. “Why is there no particular meeting being organised to discuss new text for modalities?” the official asked, in a reference to the negotiating draft that is due to form the blueprint for an eventual Doha deal.

Discussions among Geneva-based officials have instead largely focused on a technical exercise aimed at “clarifying” the meaning of a number of provisions in the current draft. At a short meeting on Wednesday morning that was open to all delegations, Walker asked officials when this process would produce an “output” that could contribute to revising the draft text – a concern that was echoed by Brazil.

Delegates told Bridges that they had completed their discussion of domestic support provisions, and were now moving on to review the market access section – the longest and most complex part of the outline accord.

The US also informally circulated a set of 'clarification issues' relating to six paragraphs in the text on a proposed 'special safeguard mechanism', which developing countries would be able to use to impose additional temporary duties in the event of a sudden surge in imports or a fall in prices. Issues included for clarification included, for example, the definition of a “seasonal”

product, or the methodology for calculating currency exchange rates.

The chair has told all WTO delegations that they are invited to a meeting to conclude the ten days of talks, at 3pm on 18 March.

ICTSD reporting.

Georgia to Resume Talks with Moscow on Russian WTO Accession

Georgia is set to return to the negotiating table with Russia over Moscow's efforts to join the WTO. The talks will be held in the Swiss capital, Bern on 9-10 March.

Georgian Deputy Foreign Minister Nikoloz Vashakidze told reporters on Monday that the Russians requested the meeting. "Russia officially initiated negotiations...The Georgian side was always stating its readiness for negotiations," he said.

Russia now hopes to join the global trade body by the end of 2011, and has made significant strides towards doing so over the past year, resolving bilateral issues with the EU and the US. Yet the WTO's consensus-based decision-making procedures effectively give all existing members, including Georgia, which joined the WTO in 2000, a veto over Russian accession.

Georgia ceased WTO talks with Russia in 2008 amidst diplomatic tensions and a brief war over the disputed regions of Abkhazia and South Ossetia. Tensions also remain over Russian embargoes against Georgian goods including wine, spirits, and mineral water dating back to 2006.

Georgian officials stressed that Tbilisi's position on Russian accession remains "unchanged" and movement forward would depend on Moscow's willingness to provide "transparency" at the border crossings in the breakaway regions of Abkhazia and South Ossetia. Russia has recognised the independence of the two enclaves and does not treat its borders with either as

borders with Georgia, a policy that Tbilisi is seeking to change.

Manana Manjgaladze, a spokesperson for Georgian President Mikheil Saakashvili, said that Georgia's list of concerns remained unchanged. "First of all it concerns transparency on the border crossing points at Psou [Abkhazia] and Roki [South Ossetia] and securing access of the Georgian customs services to the Psou and Roki border crossing points. These proposals and position remain unchanged," she said on Tuesday, according to a report by the Civil Georgia news service.

In the past, Georgian trade diplomats have told Bridges that the accession process was one of few levers Georgia had to get Russia to respond to its concerns, since if Russia became a WTO member, formal dispute settlement – and the threat of retaliatory tariffs – would offer Tbilisi little leverage in getting Moscow to comply with its obligations. Many smaller WTO members complain that retaliatory tariffs would be mere pinpricks to larger economies (and self-damaging to boot).

However, according to Civil Georgia, a senior Georgian lawmaker said yesterday that the planned talks in Bern would not involve "substantive issues," focusing on drafting an agenda and schedule for further talks instead.

ICTSD reporting: "Georgia, Russia to resume WTO entry talks this week," REUTERS, 7 March 2011; "Georgia says position 'unchanged' over Russia WTO entry," CIVIL GEORGIA, 9 March 2011; "Georgia to hold talks with Russia on WTO membership opposition," BLOOMBERG, 7 March 2011.

EVENTS & RESOURCES

Events

Coming soon

10 March, London. AN EMERGING MOROCCO IN A CHANGING REGIONAL ENVIRONMENT. At this event, hosted by Chatham House, Moroccan Foreign Affairs

Minister Taïb Fassi Fihri will discuss Morocco's outlook amidst the current upheaval in the Middle East and North Africa region and possible implications for the future of the Maghreb. He will also present the vision and approach underpinning Morocco's project for a modern and open society, highlighting domestic political and socio-economic objectives pursued to this end and their close interaction with the imperatives of foreign policy. For more information, please refer to the [website](#).

10 – 11 March, New York City. MEETING WITH ECOSOC, THE BRETTON WOODS INSTITUTIONS, THE WORLD TRADE ORGANIZATION AND THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT. Located at the UN Headquarters in New York, the overall theme of the meeting will be “Coherence, coordination and cooperation on Financing for Development.” It will consist of informal thematic debates on the following topics: follow-up to the 2010 Millennium Development Goals Summit outcome; the role of the UN system in global economic governance; financial support for development efforts of Least Developed Countries; and financial support for development efforts of Middle-Income Countries. More information can be found on the UN [website](#).

10 – 23 March, London. NEW CHALLENGES IN DEVELOPMENT. This Overseas Development Institute (ODI) public event series will look at what we know about how progress has been achieved in development and key challenges that remain to be confronted. These questions will become more urgent as we move towards the 2015 deadline for achievement of the Millennium Development Goal (MDG) targets, and as policy makers begin to focus on how to maintain progress on the MDGs after that date. This series will set the scene, by looking at what has been achieved, and at the key new challenges that we will have to confront to end poverty up to 2015 and beyond. For more information and events included in this series, please consult the ODI [website](#).

11 March, Washington D.C. REBUILDING AMERICA: THE ROLE OF FOREIGN CAPITAL, SOVEREIGN WEALTH FUNDS

AND GLOBAL PUBLIC INVESTORS. The Brookings Institution is hosting this public forum to look beyond current paradigms of foreign direct investment in the United States to explore new models of how state investment entities, including sovereign wealth funds, state-owned operating companies, and other public investors, might produce returns and ease U.S. budgetary shortfalls. Governance Studies Vice President and Director Darrell West will present key findings from a Brookings report about the economic, regulatory and political implications of foreign direct investment in the United States and the potential opportunities. For more information, please visit the Brookings [website](#).

14 March, Brussels. EUROPEAN UNCONVENTIONAL GAS DEVELOPMENTS: ENVIRONMENTAL ISSUES AND REGULATORY CHALLENGES IN THE EU AND THE US. This conference, hosted by the Atlantic Council of the United States and l'Institut français des relations internationales (Ifri), will discuss unconventional gas production's rapid growth and related technical, environmental and social concerns in the United States. Despite these issues, which are the subject of a current Environmental Protection Agency review, it is thought that unconventional gas might play a major role in the future energy makeup of the United States. Europe also has reserves of unconventional gas – in the form of tight sands and coal bed methane as well as shale gas – which may be exploited in the near future if it is viable to do so. It is thus advantageous for Europeans and Americans alike to seek to gain a better understanding of the issues surrounding this new energy source. More information can be found on the [website](#).

WTO events

An updated list of forthcoming WTO meetings is posted at: 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.

10 March: Committee on Specific Commitments

14 – 15 March: Committee on Regional Trade Agreements

17 March: Committee on Budget, Finance and Administration

Other upcoming events

25 March 2011, Geneva. TRADESIFT TRADE POLICY TRAINING COURSE. TradeSift is an innovative and powerful software tool designed to deliver highly cost effective trade policy analysis. It aids trade policy decision-making using readily available trade data, without recourse to complex and expensive economic modelling. The one-day Geneva course will comprise a demonstration of the capacities of TradeSift to aid the economic analysis of all aspects of trade policy analysis including RTA, unilateral and multilateral liberalisation and export market analysis using trade statistics from international and national sources at 6 digit level of disaggregation and beyond. This will be followed by 3 hours of hands-on training in the use of the software. The course will introduce TradeSift software and demonstrate its use in delivering rapid and reliable empirical analysis of trade policy choices at low cost in human resources, money and data. Further details about the software can be found [here](#).

Resources

REGAINING CONTROL? CAPITAL CONTROLS AND THE GLOBAL FINANCIAL CRISIS. By Kevin P. Gallagher. Global Development and Environment Institute, Tufts University, February 2011. The global financial crisis has triggered a transformation in thinking and practice regarding the role of government in managing international capital flows. This paper traces and evaluates the re-emergence of capital controls as legitimate tools to promote financial stability. Whereas capital controls were seen as “orthodox” by the framers of the Bretton Woods system, they were shunned

during the neo-liberal era that began in the late 1970s. GDAE senior research associate Kevin P. Gallagher conducts a preliminary analysis of the effectiveness of capital controls in Brazil, South Korea, and Taiwan. Gallagher finds supporting evidence that Brazil and Taiwan have been relatively successful in deploying controls, though South Korea’s success has been more modest. The paper is available for download [here](#).

BELGIUM’S MODEL BILATERAL INVESTMENT TREATY: A REVIEW. By Nathalie Bernasconi-Osterwalder and Lise Johnson. International Institute for Sustainable Development. 2011. The paper gives a background on International Investment Agreements (IIAs), notably on Bilateral Investment Treaties (BITs) and their development since 1959 when the first IIA was concluded. It presents an overview of the Belgian BITs and their specifics, and examines the scope of the Belgian Model BIT. A particular focus is placed on topics such as host country, home state and investor obligations, and on the provisions specifically addressing the environment, labour, and sustainable development. The paper contains a set of recommendations to help address the limitations of the current Belgian Model BIT and is available for download [here](#).

THE GLOBALIZATION PARADOX: DEMOCRACY AND THE FUTURE OF THE WORLD ECONOMY. By Dani Rodrik. W. W. Norton & Company, 2011. Surveying three centuries of economic history, the author argues that we cannot simultaneously pursue democracy, national self-determination, and economic globalization and pushes for a leaner global system, putting national democracies front and centre. From the mercantile monopolies of the seventeenth-century empires to modern-day authority of the WTO, IMF and World Bank, the nations of the world have struggled to effectively harness globalization’s promise. The economic narratives that underpinned these eras – the gold standard, the Bretton Woods regime, the “Washington Consensus” – brought great success and great failure. This book is available for purchase [here](#).

