G-8 Calls for Action on Climate Change, IPRs and Africa

Leaders of the Group of Eight industrialised nations have agreed to co-operate on climate change and called for major developing countries to provide a 'solid platform' for an agreement on Doha Round modalities.

The heads of state of Canada, Germany, Great Britain, France, Italy, Japan, Russia and the United States held their annual summit in Heiligendamm, Germany, on 6-8 June. The compromise they reached on climate change does not commit G-8 members to cut greenhouse gas emissions to half of 1990 levels by 2050, as proposed by Germany. In return for this concession, the US agreed to take part in the negotiation, under UN auspices, of a new climate treaty to replace the Kyoto Protocol after its binding reduction commitments expire in 2012.

This substantial shift in US international climate policy followed President Bush's 31 May announcement that he would convene the 'major emitters and energy consumers' of the world, including developing countries, to jointly develop a new a 'long-term global goal' to reduce greenhouse gasses, after which each country would work to achieve the goal by establishing "its own ambitious mid-term national targets and programs, based on national circumstances." The announcement sparked fears that the US was seeking to bypass the UN as the forum for addressing greenhouse gas emissions through binding reduction commitments.

The G-8 compromise states that member countries will "consider seriously the decisions made by the European Union, Canada and Japan which include at least a halving of global emissions by 2050." The summit declaration calls for concluding a post-Kyoto pact by 2009, with negotiations to kick off in earnest at the next conference of the parties to the UN Framework Convention on Climate Change in Bali this December. However, US participation in a new global greenhouse gas reduction plan remains firmly conditioned on major developing country emitters taking on commitments of their own.

G-8 leaders urged emerging economies "to address the increase in their emissions by reducing the carbon intensity of their economic development," but also reiterated their commitment to the Climate Convention's principle of 'common but differentiated responsibility' in line with countries' capability to act.

So far, developing countries have resisted binding targets, arguing that rich nations have a responsibility to take meaningful action first since man-made global warning is largely the result of their past, as well as current, emissions. However, developing nations such as China and India are now major and growing polluters, although their historical and per capita emissions remain far lower than those of the industrialised world. Both countries have recently announced new initiatives to address climate change.

In early June, China released its first comprehensive report on climate change, in which it declared that conserving energy and managing emissions would now figure prominently in the country's economic and energy policies. It did not, however, include specific targets, and emphasised that Chinese plans for emissions reductions could not take precedence over economic development.

Two days before the G-8 summit, India established a high-level advisory panel to develop a national climate change strategy. The panel – comprised of government ministers, climate experts and industry representatives – is to co-ordinate national action plans for the assessment, adaptation and mitigation of climate change, as well as advise the government on possible 'proactive measures'. India's stance on international commitments remains that the developed world ought to make more efforts to cut back on greenhouse gas emissions instead of making demands of developing countries, whose chief imperative is cutting poverty levels.

UN Secretary-General Ban Ki-moon will convene a special high-level meeting on climate change on 24 September, just ahead of the 2007 General Assembly opening.

Trade and IPRs

A short statement on trade stressed "the need for achieving an ambitious, balanced and comprehensive agreement on the Doha Development Agenda , which will enhance worldwide trade especially among and between developed and developing countries and reinforce multilateral trade rules." The leaders called on all WTO Members to demonstrate flexibility to bring the round to a 'prompt successful conclusion' and urged trade ministers "in particular from leading developed countries and major emerging economies, to provide in the coming weeks a solid platform for a multilateral negotiation leading to an agreement on modalities."

Intellectual property protection loomed large in statements issued at Heiligendamm. "A fully functioning intellectual property system is an essential factor for the sustainable development of the global economy through promoting innovation. We recognise the importance of streamlining and harmonising the international patent system in order to improve the acquisition and protection of patent rights worldwide," the main summit declaration stated. The need to prevent counterfeiting and piracy was repeatedly emphasised, including in the field of medicines. G-8 leaders also endorsed new guidelines for technical assistance to developing countries "with a view of building the capacity necessary to [...] strengthen intellectual property enforcement." Promoting and protecting innovation was also the first of four topics chosen for a new process of dialogue between the G-8 and Brazil, China, India, Mexico and South Africa.

Africa

The G-8 issued a separate Declaration on Growth and Responsibility in Africa, in which the group confirmed that it would provide a US$25 billion increase – from 2004 levels – in development assistance to Africa by 2010. In addition, the leaders said they expected Aid for Trade spending to increase to US$4 billion, including through enhancing the Integrated Framework for

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Trade-related Assistance to Least-developed Countries (LDCs). They also committed to providing duty- and quota-free market access for LDCs, although at the WTO the US has made it clear that this will happen only as a part of a comprehensive Doha Round deal. In addition, the leaders said they would promote 'simplified, more transparent, easier-to-use and development-friendly' rules of origin, particularly for LDCs.

A lengthy section of the declaration focuses on access to medicines and health care, in particular with regard to HIV/AIDS, tuberculosis and malaria. The leaders promised to "continue efforts to provide at least a projected US$60 billion over the coming years" to address these issues, but did not specify a timeframe.

The declaration invites international organisations and donors to "respond constructively to requests by African countries without manufacturing capacities with regard to the use of flexibilities referenced in the Doha Declaration on TRIPS and Public Health, while respecting WTO obligations." It also calls on the pharmaceutical industry to "consider supporting local production of HIV/AIDS pharmaceuticals by voluntary licences and laboratory capacities that meet international standards and strengthen regulatory, certification and training institutes." G-8 members said they would "support responding to those African countries that indicate that they require technical assistance and capacity-building programmes for advancing their access to affordable, safe, effective and high quality generic and innovative medicines in a manner consistent with the WTO." A specific reference in an earlier draft to flexibilities – such as compulsory licensing – under the WTO Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) was struck out, reportedly due to US opposition.

Other sections of the declaration deal with strengthening good governance and institutional capacities, fostering investment, and promoting peace and security. The leaders welcomed the emergence of new donors, and called on all donors to 'improve the transparency of their aid and follow internationally shared principles', such as those set out in the Paris Declaration on Aid Effectiveness.

For further details, see www.g-8.de/

US Rejects WTO Dispute on Low Yuan

The US Trade Representative has rebuffed a concerted effort by Congress to prod the administration into launching a WTO dispute against China's maintenance of a low yuan-dollar exchange rate.

On 17 May, forty-two members of the US House of Representatives petitioned the United States Trade Representative (USTR) to initiate an investigation into the undervaluation of the yuan and to start dispute settlement proceedings at the WTO if China refused to address the matter.

The Bipartisan China Currency Action Coalition claimed that by pegging the yuan's exchange rate to the US dollar at a low level, China had fuelled 'serious trade imbalances', which had allowed its exports to soar while making US exports to China uncompetitive.

In a 20-page document detailing China's alleged infringements of WTO rules, the coalition claimed China had violated the most-favoured-nation principle since the regime "confers an advantage upon third countries whose currencies are not pegged to the US dollar. [...] China wrongly discriminates against US exports to China by depriving the United States of the advantage of the fluctuations in a flexible exchange rate that adjusts to market conditions and US products would otherwise enjoy." The coalition also argued that the maintenance of an undervalued exchange-rate regime, combined with *ad valorem* import tariffs payable in yuans had 'directly and dramatically' increased the cost in yuan of US products entering China in violation of GATT Article II (schedules of commitments) and Article 9.1 of the WTO Agreement on Customs Valuation, which requires Members to use an exchange rate that "reflects as effectively as possible [...] the current value of currency on commercial transactions."

China's exchange-rate policy was also alleged to infringe GATT Article III (the national treatment principle) since "the conversion into yuan of the value of US imports into China effectively imposes a tax on the US goods in the amount by which the yuan is undervalued." As a consequence, US goods were treated less favourably than like domestic products. The coalition further claimed that the maintenance of an undervalued exchange-rate regime was "a measure that wrongly acts as a restriction of imports into China" and thus violates GATT Article XI (general elimination of quantitative restrictions).

On 12 June, the coalition was dealt a double blow: USTR turned down its petition for a WTO dispute and the Treasury did not designate China as a 'currency manipulator'. That designation would have required the administration to take action, but Treasury said it could not determine that China's exchange rate policy was carried out with the 'intent' to gain an unfair advantage in international trade. Senators Baucus (D-MT), Graham (R-SC), Grassley (R-IA) and Schumer (D-NY) then introduced new legislation which, if passed by Congress, would require the administration to initiate a WTO dispute if a country that was found to have a 'fundamentally misaligned currency' did not rectify the situation within a year of the finding.

China to Reform Exchange Rate 'Independently and Gradually'

Vice Premier Wu Yi had earlier refuted claims that the yuan's low value was the fundamental cause of China's trade surplus, and reminded US critics that roughly 85 percent of the trade imbalance was due to foreign companies, such as Wal-Mart, exporting from China products they no longer manufactured in the US.

While the Chinese central bank widened the yuan's trading band against the dollar from 0.3 percent to 0.5 percent on 18 May, Ms Wu said that broader exchange rate reforms would be carried out in an 'independent, controllable and gradual way' in order to maintain the currency's strength. According to central bank projections, a 10-percent rise in the yuan would lead to the loss of 5.5 million jobs, with companies manufacturing textiles, furniture, shoes and toys for export suffering most. The China National Textile and Apparel Council estimates that the textiles industry loses US$1.1 billion for every percentage point of currency appreciation.