



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

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Contributors to this issue of Bridges Weekly Trade News Digest© are Andrew Aziz, Trineesh Biswas, Hannah English, Kiranne Guddoy, Martin Harms, and Jonathan Hepburn. Director: Ricardo Meléndez-Ortiz.

LEAD STORIES

WTO: Brazil Proposes Greater Market Opening for Key Farm Products

In a surprise move, Brazil has proposed that market-opening for key farm products such as beef, pork and poultry should go beyond levels currently proposed at the WTO, in return for the greater market access for manufactures sought by the US. However, developed countries appear to have responded coolly to the initiative.

The new demands, which were put forward informally in confidential talks among a group of eleven major trading powers on Monday, appear designed to respond to Washington's calls for more 'ambition' in the talks. The US has repeatedly argued that large developing countries such as Brazil, China and India should open their markets for industrial products in order to enable an agreement in the Doha Round negotiations.

"It's an instrument to assess the parallel level of ambition between agricultural market access, NAMA [industrial goods] and services" said one official familiar with the approach. Greater market access for farm goods would thus be "calibrated" with market opening in other areas, the source said.

The Brazilian approach calls for liberalisation deeper than that which is currently foreseen for a 'basket' of important agricultural products. This could involve capping tariffs or cutting them more deeply than previously proposed – depending on what was being asked of developing countries in other negotiating areas. "It would be a top-up to the agriculture text", a source said.

WTO members such as Japan, Switzerland, Canada and the EU have been keen to protect 'sensitive' farm products through gentler tariff cuts

(albeit with compensatory import quotas) – which exporters say could maintain existing trade barriers in these markets.

Other products that could be targeted for market opening measures include dairy, sugar or rice, a trade official remarked – all of which remain highly protected in many developed country markets.

Senior negotiators or ambassadors from six developing countries were present at the meeting (Argentina, Brazil, China, India, Mauritius and South Africa), and from five developed countries (Australia, Canada, the EU, Japan and the United States). The group, which includes various negotiating coalitions and interest groups, has been dubbed the G-11 by WTO members.

'Surprise'

Brazil's suggestion reportedly sparked debate over what countries mean by 'more ambition' in the round, another source said, with some countries arguing that members needed to concentrate on the Doha Round's unfinished business rather than bringing in 'new' issues.

The EU, Japan and other countries with heavily protected farm sectors reacted with 'surprise' to the proposal, said one official from a G-11 country. "They're still under the impression that they can ask for more, and not be required to offer more", the source observed wryly. "I think they're now in a shock".

Despite plans to meet for the whole of Monday afternoon, discussions were cut short after about half an hour.

One negotiator noted that many details of the outline proposal still remained unclear. "We need to carefully study the proposal on paper", the source said.

The Brazilian initiative follows a separate move by Mexico to propose trade-offs across separate negotiating areas (see [Bridges Weekly](#), 10 February 2011). The Mexican proposal appears to have been rejected by the US.

New

text

The G-11 process is "important in providing political signals" to negotiators, one delegate said, although sources reported that the Brazilian and Mexican proposals did not appear to have influenced the dynamics of technical level talks this week, nor were they discussed.

The chair of the WTO agriculture negotiations, New Zealand Ambassador David Walker, convened an informal small group meeting among negotiators to discuss issues relating to tariff and subsidy cuts that Argentina, China and India had suggested required further [clarification](#), sources said. While several delegates reported that the discussion had been helpful in generating better understanding of each other's positions, "no convergence" had been achieved.

Nevertheless, one negotiator observed that Walker was "certainly serious about producing a [revised draft negotiating] text," as [members have targeted doing by April](#). Officials reported that Walker had encouraged them to approach him with suggestions about how to move forward on unresolved issues in the current draft.

A meeting open to all WTO members had been called for Thursday afternoon, at which Walker was expected to report back on the consultations he has held over the last two weeks. However, one negotiator observed that the main focus of negotiations appeared to have shifted to informal small-group discussions amongst members, including bilateral contacts.

ICTSD reporting.

G-11 Talks: Ag-NAMA 'Exchange Rate' Still the Problem for WTO's Doha Round

The "exchange rate" between the depth of concessions on farm subsidies and tariffs and the extent of future market access for manufactures remains the principal sticking point in the long-struggling Doha Round trade talks, officials said after talks among eleven influential WTO members in Geneva.

“There has been no game-changer for the negotiations,” said a source familiar with the discussions among the so-called G-11 between Monday and Thursday. “We are still far from breakthroughs.”

“In spite of the fundamental difference,” however, the diplomat reported that the atmosphere in the talks is “much better” than last year, with countries demonstrating more willingness to negotiate in good faith and engage in “real discussions” as opposed to well-rehearsed posturing.

The G-11 includes the US, the EU, Canada, Australia, Japan, Brazil, China, India, Argentina, South Africa and Mauritius. Their talks this week sought to kickstart a ‘horizontal process’ of negotiations in which WTO members would make tradeoffs across different sectors in the Doha Round negotiations. Such a process, in which one government would give a bit of automotive market access here in return for some corn subsidy cuts or services market-opening by another country, is seen as a necessary part of the ‘endgame’ prior to any agreement. While countries have consistently measured what they deem tolerable in one area of the negotiations against what appears to be on the table in others, they have struggled to horse-trade across sectors, lacking even an agreed baseline for doing so. Over the past four years, the talks have been nudged forward by a process in which negotiating group chairs have extensively consulted with governments and then attempted to divine where an acceptable compromise might be found.

Two broad approaches to a horizontal process emerged during the G-11 discussions, sources reported.

The first, favoured by Brazil, would have members first define the outer parameters of an eventual Doha outcome, making clear how much further beyond the existing draft agreement texts they were prepared to go in different areas. A key consideration for Brazil is ‘balance’ in this overall package, with greater market access for manufactures matched by greater concessions on agriculture. Only once the limits of this broader package were defined would countries engage in product-specific negotiations.

The second approach, favoured most vocally by the US, would have members start specific negotiations on sector-specific liberalisation initiatives for industrial goods, services, and agriculture without any fixed idea of where they would end up.

Washington, which has called for large developing countries such as China, Brazil, and India to provide substantially more market access for manufactured goods, has long called for such open-ended negotiations. It recently rejected a Mexican proposal outlining a package of specific market access and farm subsidy concessions, reiterating that negotiations were the only way forward.

During the course of the G-11 discussions, Brazil outlined an approach for an added measure of liberalisation for certain farm products to match the greater ‘ambition’ being asked of it in the non-agricultural market access (NAMA) talks. Sources say that the US did not address this request for ‘payment’, nor did it specify the sort of concessions it itself was willing to make in return for the market access gains it is seeking. The EU indicated that it had already made a significant contribution in the agriculture negotiations. The Mexican proposal was reportedly not discussed in the meetings of the entire group.

The week also saw several bilateral meetings involving delegations including the US, the EU, China, and Brazil, sources said. These meetings have not yielded any breakthroughs, but served to clarify each others’ sensitivities.

One official said that the dynamic between China and the US has improved. China has showed openness to discussing a ‘basket’ approach for NAMA sectorals, which would see different products within a given sector divided among different baskets for varying tariff cuts.

The G-11 will continue to meet, although participating countries will focus more on meeting bilaterally for technical discussions in the weeks ahead, sources report.

ICTSD reporting.

Fisheries Negotiations Move Ahead as Easter Deadline Looms

Delegates in the WTO's Negotiating Group on Rules last week actively pushed for compromise on fisheries subsidies disciplines in order to produce a revised draft negotiating text before the Easter deadline. The technically-heavy discussions, which took place from 7-14 February, were widely described as positive and fruitful.

Members met in plenary and took part in plurilateral discussions on issues related to fisheries management, fuel subsidies, and special and differential treatment (S&DT) for developing countries. A driving force in discussions were five recent submissions by Japan; Canada; Argentina, Chile, Egypt and Uruguay; Ecuador and Peru; and Morocco.

In plurilateral discussions on fisheries management, Norway and South Africa were appointed as friends of the chair to discuss technical aspects of fisheries management. The effort – a descriptive exercise to simplify discussions through consultation with some 15 countries – resulted in agreement that there should be six basic requirements for fisheries management and that the rest could be illustrations or options.

The six core requirements agreed upon include the implementation of effective legislation and institutions, the ability to accurately assess the volume of catches, the ability to accurately assess the number of active fishing vessels, ensuring appropriate monitoring controls are in place, the ability to effectively enforce legislation, and input and output controls, such as quotas or limiting days at sea. Examples of optional requirements include the installation of global positioning systems on vessels and the presence of third-party observers aboard vessels.

The fisheries management issue was also raised in Japan's submission (TN/RL/GEN/171), dated 17 January, which downplays the role of subsidies in overfishing and suggests members instead place more focus on the role of illegal, unreported, or unregulated (IUU) fishing.

"Capacity-enhancing or effort-enhancing effect, if any, caused by subsidies which was emphasized by some Members, is not as significant in its magnitude as was previously believed," the proposal reads. "These facts remind us that the global issues of overcapacity and overfishing should effectively be addressed through a holistic approach to fisheries management and associated schemes."

In October 2010, Japan notably shifted its position on blanket bans on any kind of subsidy to a more a more flexible position that now accepts, in principle, that there will be prohibitions on some kinds of payments that lead to overcapacity and overfishing. But environmental groups say Japan's narrow focus nullifies the overall goal of implementing subsidy cuts.

"Taken all together, Japan's approach is a case of 'the exceptions swallowing the rule'," WWF said in a statement. "It is hard to find a fishery subsidy in use today that would not be allowed by Japan's combination of narrow prohibitions and generous loopholes."

WWF, which follows WTO fisheries negotiations closely, also points out that cutting subsidies is more effective than fisheries management because the latter requires an array of investments, monitoring and enforcement. The group argues that members should adopt a broad prohibition on subsidies with narrowly scoped environmental and S&DT exemptions.

S&DT discussions, which provide exceptions for the unique needs of developing countries, were pushed forward by the Argentina, Chile, Egypt and Uruguay proposal (TN/RL/GEN/173/Rev.1) and the proposal by Ecuador and Peru (TN/RL/GEN/172).

The Argentina, Chile, Egypt and Uruguay submission proposed a restriction on S&DT subsidies to fisheries where existing capacity is demonstrably and substantially lower than the "full capacity" needed to harvest maximum sustainable catches. Essentially, this safeguard is meant to ensure that allowable subsidies are used where they are needed, rather than being diverted

to fisheries that are already operating at overcapacity.

Meanwhile the Ecuador and Peru submission proposes expanding the language of the chair's text to include "artisanal fisheries" in addition to subsistence fisheries. The paper argues that artisanal fisheries provide direct and indirect employment for tens of millions of people yet represents only a quarter of the world catch, according to a recent UNEP study.

However, green groups argue that because there is currently no internationally recognised definition of artisanal fisheries, the amendment could, in some cases, be used as a loophole to subsidise fisheries that are already being exploited beyond sustainable levels.

Environmentalists seized on the timing of these discussions to point out that the newly released FAO report "[The State of World Fisheries and Aquaculture 2010](#)" indicates that only 15 percent of fisheries in 2008 were underexploited or moderately exploited and that 85 percent of global fisheries are now fished up to or beyond their biological limits.

As countries push to make good on making 2011 a deliverable year for Doha, Easter has been targeted as a deadline for producing revised negotiating texts on key issues including agriculture, industrial goods and services, as well as fisheries subsidies.

The current text on fisheries subsidies was drafted in December 2007, by the then-chair Uruguayan Ambassador Guillermo Valles Galmés. Talks had been lagging since the departure of Galmés in early 2010, but picked up again in November as chair Dennis Francis, the WTO ambassador from Trinidad and Tobago, settled into his new role (see Bridges Weekly, [13 October 2010](#)).

Fisheries discussions are scheduled to resume on 7 March.

ICTSD reporting.

OTHER NEWS

US Requests WTO Panels to Rule on Two Disputes with China

The US is moving forward with two separate WTO cases against China, and has sought the creation of dispute panels to determine the legality of Chinese anti-dumping duties on US steel products as well as its policies for credit-card processing companies.

The announcement by the US trade representative's office last Friday came on the tail of a Commerce Department report revealing that the US trade deficit with China grew 20.4 percent in 2010 to reach a record high of \$273.1 billion.

China has been the target of a growing number of WTO cases filed recently by the US, suggesting a more muscular enforcement-oriented trade policy from the Obama administration. In addition to the two new panel requests, the US currently has trade complaints at the WTO over Chinese export restrictions on raw materials and Beijing's support, including subsidies, for its alternative-energy industries. Washington is considering filing a separate case against China for restrictions on rare earth exports.

"In each of these cases, [the United States] will be pressing to ensure that we obtain the trade benefits provided by the WTO agreement," US Trade Representative Ron Kirk has said.

Anti-dumping on US steel imports

In 2009, China's Ministry of Commerce initiated investigations into specialty steel imports from the US, specifically "grain-oriented flat-rolled electrical steel" which is used by the power generating industry in transformers and other large electric machines. In April 2010 the ministry began imposing antidumping duties of up to 64.8 percent and countervailing duties of up to 44.6 percent on American steel it claimed had been subsidised and "dumped" (sold below cost, or priced lower than domestic equivalents) on Chinese markets.

The US requested formal consultations with China over the duties on 15 September 2010. Such consultations are the first step in WTO dispute procedures. The US faulted China both in procedural terms, arguing that China had failed to provide adequate details about its findings and conclusions, as well as in substantive ones, rejecting, for instance, Beijing's finding that government purchases under US 'Buy American' laws constituted a subsidy. Having failed to reach a compromise in consultations with China, the US has proceeded to request the establishment of a panel to adjudicate the dispute.

Washington is also concerned that China's policies toward US-made steel represent a larger trend towards limiting access to its own markets. "We have watched with growing concern China's resort to additional duties on US exports," USTR Kirk said.

However, Simon Lester, of WorldTrade Law.net, notes that the case is interesting in part because Washington is going after a practice it has frequently used itself. "The US likes to use antidumping and antisubsidy tariffs, so it is surprising that they would take another country to court for doing so," he said. "It shows [Washington] is going on the offensive."

Treatment of suppliers of electronic payment services

On 15 September 2010, the US requested consultations with China in a separate dispute over Beijing's policies in the electronic payment services sector. Washington accuses China of violating its market access and national treatment commitments under the Generalised Agreement on Trade in Services (GATS) by allowing only one company, a Chinese entity called China UnionPay (CUP), a monopoly in supplying electronic payment services for payment card transaction denominated and paid in renminbi (RMB; also called yuan), China's currency. Suppliers of similar services from other countries - such as the US-based Visa Inc. - can only do so for payment card transactions paid in foreign currency. In addition to the policy of allowing only CUP to supply electronic payment services for transactions in renminbi, the US is also challenging the requirement that all payment card processing

devices at merchant locations in China be compatible with CUP's system, which gives CUP guaranteed access to all domestic merchants. Foreign providers, meanwhile, must negotiate for access to merchants. The US claims that these policies violate commitments China made when acceding to WTO to open up its credit card payment sector by 2006. Beijing claims it made no such commitment.

At the centre of the dispute is China's fast-growing debit and credit card market, which saw consumers spend US\$722 billion in 2009, a figure expected to double by 2012. The Chinese payment-card business is of particular interest to US trade officials as they want to discourage other emerging economies, whose booming middle classes account for much of the sector's growth, from imposing similar restrictions."

The crux of the case comes down to China's alleged monopoly grant to CUPs in the business of intermediate payments between store and bank. While visitors can use foreign credit cards in China, foreign card companies do not get a piece of the lucrative intermediary transactions business whereby companies get a share of the transactions between merchants and intermediary banks every time a customer makes electronic payments.

"Removal of the monopoly that China has provided to China UnionPay would create significantly expanded business opportunities in China's huge and growing market for American suppliers of this essential service," said Kirk.

A spokesman for the Chinese mission to the EU said Beijing is committed to respecting its WTO obligations, but declined to comment further.

The US is expected to formally make its request for the creation of the two panels at the next meeting of the WTO Dispute Settlement Body, scheduled for 24 February. China would have the right to block the creation of the panels once, but not if Washington repeats its request. Once a panel is established, it could take from 12 to 18 months to complete its work and issue a report.

ICTSD reporting; "US takes China to task over cards," THE WALLSTREET JOURNAL, 12 February 2011; "USTR requests WTO dispute

settlement panels in two cases against China,” OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, 11 February 2011; “US files two new trade cases against China with WTO,” THE WASHINGTON POST, 11 February 2011; “Electronic payment trade war looms,” CHINA ECONOMIC REVIEW, November 2010; “US takes disputes to WTO, China trade gap up,” REUTERS, 11 February 2011; “US attacks China on two trade cases,” WASHINGTON TRADE DAILY, 14 February 2011; “US Seeks WTO ruling on China’s card, steel duties,” BLOOMBERG, 11 February 2011.

NAMA: Old Differences Resurface on Tariff Reduction Formula

After several months focusing on non-tariff measures that are potential impediments to trade, negotiators at the WTO last week turned their attention to the tariff-reduction formula and related exceptions that would determine their future tariff ceilings as part of a Doha Round agreement.

Members’ views on the issues seem to have changed little over the past two years. Argentina and Venezuela, and to a milder degree South Africa, voiced opposition to the parameters laid out in the most recent draft agreement text, which dates back to December 2008. Those same countries had given a chilly reception to similar parameters when they first arose during a July 2008 ‘mini-ministerial’ meeting that ultimately failed to reach breakthrough accords on tariff and subsidy cuts for agricultural and manufactured goods.

The December 2008 NAMA text includes specific figures for the ‘coefficients’ linked to the mathematical formula that will determine the future tariff ceilings of most major economies as well as for the ‘flexibilities’ determining developing nations ability to shield some products from standard duty cuts. The specific numbers were suggested by WTO Director-General Pascal Lamy during the July 2008 mini-ministerial in an attempt to salvage a deadlock-breaking accord. He drew the figures from within the ranges present in the earlier draft agreements compiled by the then-chair of the negotiating group.

As per the terms of the text, the industrialised country ‘coefficient’ would be 8. (Under the ‘Swiss’ tariff reduction formula, this means that all of a country’s tariffs would be slashed to below 8, with lower tariffs cut less sharply.)

For the 30-odd developing countries that would have to apply the tariff reduction formula, there is a three-option ‘sliding scale’: the higher the coefficient they choose, the less freedom they have to shelter products from tariff reduction.

Developing countries opting for a coefficient of 20 would be allowed to subject 14 percent of tariff lines to cuts that are half as high as those required by the formula, covering 16 percent of manufacturing imports by value. Alternatively, they would be allowed to exempt 6.5 percent of tariff lines from cuts altogether, limited to 7.5 percent of import value.

Opting for a coefficient of 22 would involve ‘half-formula cuts’ for 10 percent of tariff lines and import value, or full exemptions for 5 percent of both.

Finally, developing countries choosing not to use the flexibilities would receive a coefficient of 25.

An ‘anti-concentration’ clause, designed to constrain developing countries from focusing their tariff-reduction ‘flexibilities’ on a limited number of industrial sectors, would require them to apply full tariff cuts to either 20 percent of tariff lines or 9 percent of import value within each chapter of the HS harmonized system used to classify products for customs purposes.

The draft includes an exception allowing Argentina, Uruguay and Paraguay to use Brazil’s much larger NAMA import level as the baseline for calculating the trade volume limit on the use of tariff flexibilities. It also includes a clause providing unspecified flexibilities for members of the South African Customs Union: South Africa shares the world’s oldest common external tariff with Lesotho, Namibia, Swaziland, and Botswana. Tariff cuts made by South Africa would thus apply even to the poorest of its neighbours, even though least-developed countries are not required to cut tariffs under the Doha Round’s negotiating mandate. The fact that South Africa has relatively

little space between its bound tariff rates and those it applies, as a result of liberalisation it carried out in order to accede to the WTO, means that it stands to be disproportionately affected by the tariff reduction formula, which has led to sympathy in some quarters for granting it flexible treatment.

The December 2008 text also includes bracketed, unspecified clauses for Argentina and Venezuela, in a nod to the complaints voiced by the two countries about the text's demands.

During last week's talks, Argentina reiterated that it found the value of the coefficients "unacceptable," and out of proportion to the reforms on offer in the agriculture negotiations (Argentina is a very efficient agricultural producer, but is sensitive about industrial imports). Venezuela asked to be exempt from the standard tariff reduction formula, and instead be permitted to cut its tariff ceilings by a to-be-negotiated average, with each tariff line subject to a minimum reduction (this would be similar to the text's provisions for small and vulnerable economies that account for less than 0.1 percent of global NAMA trade).

South Africa expressed hope that consensus would be reached on its request for exceptional treatment beyond the standard flexibilities accorded to developing countries applying the formula.

Many delegations stressed the need to be careful not to disrupt the difficult balance embodied in the text. Brazil was among them, though it also expressed support for the concerns voiced by Argentina, Venezuela, and South Africa (so too did India and Ecuador).

Other requests for changes to the text met a cooler reaction. These included Kenya's call for changing the provisions governing the milder tariff cuts set out for the generally poorer developing countries that have binding caps on fewer than 35 percent of tariff lines, as well as Taiwan and Ecuador's appeal for consideration in light of the onerous tariff cuts they had had to accept as a condition of their accession to the WTO.

Preference erosion remains a thorny subject, as it was in 2008, with Turkey, Bangladesh and Sri Lanka expressing dissatisfaction with the text. Provisions in NAMA draft texts allowing the US and the EU to soften the blow of phasing out longstanding trade preferences by taking ten years instead of five to phase in Doha Round tariff cuts on some textile and clothing products raised the ire of several non-beneficiary countries. Arguing that they would be "disproportionately affected" by the slow pace of liberalisation, Pakistan and Sri Lanka secured a clause requiring the US and the EU to phase in tariff cuts on a non-MFN basis for their exports of some of those products. This in turn spurred complaints from Bangladesh, Cambodia, and Nepal, which do not receive tariff-free access to the US market, and the December 2008 text provides for the US to phase in duty cuts for five tariff lines each for each of the three Asian LDCs. Last week, many members warned of the dangers of rejecting the delicate balance in that text.

Members did not address the contentious issue of initiatives to deeply slash or even eliminate tariffs across entire industrial sectors during last week's meetings of the NAMA negotiating group. The US in particular has pushed for China, India, and others to sign on to several such initiatives, arguing that doing so was necessary to open up an adequate level of access to their fast-growing markets. The large developing countries have by and large demurred, pointing to the negotiating mandate's explicit specification that participation in 'sectorals' is to be voluntary. The issue was, however, discussed in meetings of ambassadors and senior officials from a group of eleven influential WTO members that has been dubbed the G-11. (See related story, this issue)

Swiss Ambassador Luzius Wasescha, who chairs the NAMA negotiating group, announced that there would be another week of negotiations in March. Asked whether WTO members had a realistic chance of achieving their goal of a revised draft agreement text by April, he said that there was "ample time," so long as "people are willing."

ICTSD reporting.

IN BRIEF

Japan, India Sign Free Trade Pact

Japan and India have inked an agreement that will eliminate tariffs on 94 percent of goods trade between the two economies over the next ten years.

The free-trade agreement was signed by Japanese Foreign Minister Seiji Maehara and Indian Commerce Minister Anand Sharma in Tokyo on Wednesday, two days after Japan was displaced by China as the world's second biggest national economy. This is India's first such agreement with a developed country; bilateral trade between the two nations was \$10 billion in 2009, amidst the global drop-off in commerce in the wake of the financial crisis. FTA talks between the two countries began in January 2007.

The accord focuses more on cutting tariffs than on addressing non-tariff policies such as regulatory standards that can serve as a barrier to trade. It does address some non-tariff measures, specifying that both sides should not apply licensing and qualification requirements or technical standards that nullify commitments made under the services chapter of the deal.

Japan will continue to protect certain politically sensitive farm products, such as rice, for which pre-existing tariff levels will remain intact.

Notably, the Japan-India FTA's chapter on intellectual property by and large defers to the WTO Agreement on Trade-related Agreement on Intellectual Property Rights (TRIPS). It includes no provisions for the protection of clinical test data used in drug trials, which has been a point of contention in India's FTA negotiations with the EU.

Analysts say that closer commercial ties with New Delhi may pave the way for Japanese investment in rare-earth resources, which are used in a variety of high tech products from iPads to solar panels. Japan has been actively seeking new supply sources after China, which accounts for roughly 97 percent of the global supply of the metals, cut exports last year. Although the agreement does

not directly cover rare earths, the Japanese foreign ministry said it could make it easier for Japanese companies to invest in resource development in India.

In addition to the trade pact, Sharma proposed setting up a revolving fund of \$9 billion with Japan to help finance the Delhi-Mumbai industrial corridor, a transportation infrastructure project that is expected to attract investment of more than \$100 billion.

ICTSD reporting: "Japan and India sign free-trade deal after sales slide," BBC NEWS, 16 February 2011; "India, Japan to sign free-trade pact today," THE ECONOMIC TIMES, 16 February 2011; "Japan, India sign free-trade pact," THE WALL STREET JOURNAL, 16 February 2011; "India, Japan sign free-trade agreement," HINDUSTAN TIMES, 16 February 2011.

EU Sued Over Secrecy Surrounding FTA Talks with India

A corporate watchdog has sued the European Commission for failing to share with transparency campaigners documents discussed with industry groups concerning the EU's ongoing free trade agreement negotiations with India.

In a case filed at the EU's General Court on Tuesday, Corporate Europe Observatory has accused the Commission of "discriminating in favour of corporate lobby groups and of violating the EU's transparency rules."

Corporate Europe Observatory said the case was a "last resort," the result of the Commission's refusal to provide full access to meeting minutes and other communication between EU governments and a wide range of business groups concerning the EU-India negotiations. The Commission censored some documents to delete comments on both sides' negotiating positions, even though those comments were shared with industry groups in India and Europe, the watchdog alleges.

"If the Commission has already shared information with the business world at large, the

same information cannot suddenly become confidential when a public interest group asks for it,” said Pia Eberhardt, a trade campaigner with the group. “This is a case of manifest discrimination and violates the EU’s access to information rules.”

Eberhardt argued that sharing information with big business but not with public interest groups leads to “a trade policy which caters for big business needs, but which has devastating effects for people’s rights and the environment.”

The Commission insists that the secrecy is necessary to avoid undermining the EU’s foreign relations.

In the EU-India negotiations, both sides remain confident that an agreement will be concluded this year. In addition to concerns that the EU’s demands on intellectual property will threaten access to affordable generic drugs in India and abroad, retail services liberalisation has been a contentious issue, with critics of the deal worried that street vendors and small shop owners in India will be unable to compete with large European supermarket chains like Carrefour and Tesco and Metro. Differences over automotive trade are also proving to be a source of irritation in the talks.

ICTSD reporting.

WTO IN BRIEF

Canada Calls for WTO Panel in Seal Dispute with EU

Canada has decided to proceed with its WTO case against the European Union’s ban on trade in seal products by filing for the creation of a panel to adjudicate the dispute.

The case dates back to November 2009, when Ottawa requested consultations, the first step in the WTO dispute settlement process, with the EU over a regulation (EC No. 1007/2009) banning the importation of seal products from commercial sealing operations – like those in Canada – which it deems “inherently cruel” and “inhumane.” The

ban took effect in August 2010 and subsequent consultations have failed to resolve the dispute.

Canadian Fisheries Minister Gail Shea said when announcing the panel request last Friday that the challenge is “a matter of principle.” Calling the seal hunt “humane” and an example of “responsible use,” she stressed the impact the ban would have on the livelihoods of the some 6000 Canadian families that depend on sealing.

Canada has long argued that scientific data in support of the EU’s perception of the seal hunt is lacking – a key requirement for such a ban under WTO rules. The Canadian government claims the seal hunt is a legitimate economic pursuit.

As for the EU, trade spokesperson John Clancy said the European Commission would vigorously defend the law, describing as consistent with the EU’s international obligations and the concerns of its citizens.

The humaneness of the hunt is also contested in Canada, where some animal rights organisations side with the EU. They criticise Ottawa’s decision to proceed with the case at the WTO saying it wastes millions of taxpayer dollars and tarnishes Canada’s image.

Also factoring into the debate surrounding the dispute is whether it could jeopardise ongoing negotiations on a free trade agreement between Canada and the EU. Shea, however, dismissed suggestions that Canada was putting industries much larger than the tiny sealing sector at risk by pursuing the case. “We don’t expect that this will have any effect whatsoever,” she said, telling reporters that “both sides have agreed that this issue will be resolved outside the free trade agreement process and will be resolved at the WTO.”

Ottawa’s request will be heard at the next meeting of the DSB to be held 24 February. The EU can block the first request, but cannot do so a second time.

Canadian Inuit groups, who have pursued a parallel action against the ban through the EU’s own court system, praised Ottawa for contesting the seal ban at the WTO last Friday. While the

EU regulation contains certain exemptions for traditional Inuit hunts, the groups argue that the ban would still severely impact their livelihoods. The EU court ruled against the Inuit last October, but the groups behind the case are planning an appeal.

ICTSD reporting: "Ottawa's WTO challenge of EU seal ban 'a matter of principle,'" THE GLOBE AND MAIL, 11 February 2011; "Canada seeks WTO review of EU ban on seal products," REUTERS, 11 February 2011; "Canada escalates appeal on EU seal ban," CBC NEWS, 11 February 2010; "Canada to challenge European Union seal ban," REGINA LEADER-POST, 11 February 2010.

CTD Workshop Focuses on Aid for Trade for Small, Vulnerable Economies

Appropriately targeted aid could help small and vulnerable economies overcome competitiveness challenges related to their size, government delegates and experts meeting at the WTO said this week.

The WTO Committee on Trade and Development (CTD) met on 16 February to focus on the implementation of aid for trade in small and vulnerable economies (SVEs), in particular landlocked SVEs and those in the Caribbean and Pacific regions.

Much of the discussion during the workshop centered on conditions specific to small economies that need to be considered when planning aid for trade programmes. For example, Junior Lodge, senior coordinator in the Caricom secretariat's trade negotiation office, highlighted that the Caribbean region faces a low level of competitiveness due to its inability to effectively harness economies of scale with respect to infrastructure, telecommunication, transport and energy. Additionally, exports from the region are highly concentrated in a few areas, and the region is highly susceptible to natural disasters.

Mohammad Razzaque, an economic adviser from the Commonwealth Secretariat, called for additional case studies into the implementation of

aid for trade in vulnerable economies. In his presentation, he suggested that SVEs have been marginalized in global trade; he highlighted that SVEs' share in global merchandise exports decreased from 1.05 percent to 0.62 percent between 1984 and 2008. Aid to increase productive capacity had had no positive effects except in services, he explained, due to a poor strategy for targeting aid to different sectors. However, it was noted that aid to economic infrastructure increased overall exports for SVEs.

In the Pacific region, private sector growth remains a key challenge, said Chakriya Bowman, director of the Pacific Islands Forum Secretariat's economic governance programme. She emphasised the need to improve management, reporting and evaluation of aid for trade projects.

The representative of Australian aid agency Ausaid, Sabrina Varma, noted Australia's importance as a donor in the Pacific region. Some 15 percent of all Australian development assistance is allocated to aid for trade, she said, primarily aimed at facilitating market access building productive capacities to enable recipients to take advantage of trade opportunities. Although Australia mainly delivers aid for trade through bilateral agreements, she stressed the need for more comprehensive regional approaches.

Many participants also agreed on the necessity of aligning aid for trade financing with climate change programmes, noting that funds for the two could be addressed in a coherent, mutually supportive manner.

ICTSD reporting.

EVENTS & RESOURCES

Events

ICTSD event

28 February, Geneva. ICTSD is organizing a roundtable discussion on biofuels. This lunchtime event will feature an update and overview of the current status of biofuels trade, as well as of emerging issues and developments. There will be presentations covering EU sustainability criteria

and their status under WTO law, and the complex question of how to deal with indirect land use change in this context will be touched upon. The roundtable will take place at the WTO in room C from 13-15, and will include a sandwich lunch. Please confirm your interest to <aaseeva@ictsd.ch> by Thursday, 24 February.

Coming soon

18 February, Paris. G-20 FINANCE MINISTERS' MEETING. The G-20 was established in 1999, in the wake of the 1997 Asian Financial Crisis, to bring together finance ministers and central bank governors to discuss measures to promote the financial stability of the world and to achieve sustainable economic growth and development. This year will be the time address issues crucial to global stability, such as the reform of the international monetary system and the volatility of commodity prices. For more information, please consult the [website](#).

22 February, Washington D.C. GLOBAL COOPERATION AND THE LEAST DEVELOPED COUNTRIES. Between 2005 and 2015, Africa's share of global poverty is expected to more than double from 28 to 60 per cent. According to the U.S. government, addressing global poverty in the least developed countries (LDCs) is vital to U.S. national security and is a strategic, economic and moral imperative for the United States. At this event, the Africa Growth Initiative at Brookings, InterAction, and the Center of Concern will co-host a discussion on U.S. and global policy on the least developed countries with a particular focus on LDCs in Africa. More information is available 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.

17 February: Trade Policy Review Body – Japan

17 February: Council for Trade in Service – Special Session

22 – 23 February: General Council

24 February: Dispute Settlement Body

Other upcoming events

24 February, London. THE BEGINNINGS OF A NEW CHINESE WORLD ORDER. Organised by Chatham House. The author Martin Jacques will argue that the Western financial crisis has led to a major shift in power from the United States to China. Jacques will examine how China should conceive of and promote its rapidly expanding global role, and consider some of the drivers and essential characteristics of a new Chinese world order. For more information, please consult the [Chatham House website](#).

28 February – 1 March, Tokyo. CLIMATE CHANGE AND GREEN ASIA. Hosted by the Asian Development Bank Institute (ADBI), this inception workshop will discuss the concept paper, background papers, and relevant issues related to the ADBI study on Climate Change and Green Asia. This flagship study will examine how emerging economies of Asia can operate amid changing demands for low carbon development by focusing on six themes: development trajectory and GHG emission profiles, policies to affect sectors and firms in moving to a low carbon economy, harnessing individual and social lifestyle changes to address climate change, eco-technology innovations for a resource efficient green Asia, financing low carbon green growth and regional cooperation for managing the transition. More information is on the ADBI [website](#).

Resources

THE RIGHT TO HEALTH AND MEDICINES: THE CASE OF RECENT

NEGOTIATIONS ON THE GLOBAL STRATEGY ON PUBLIC HEALTH, INNOVATION AND INTELLECTUAL PROPERTY. By Germán Velásquez. (South Centre, January 2011). Velásquez, the Special Advisor for Health and Development at South Centre, uses this research paper to describe a negotiating process that many have described as historic. More than a discussion on the subject of public health and intellectual property, this is an analysis of a negotiating process that could change the course and the nature of an organisation such as the WHO. This paper is available to download [here](#).

TRADE AND INVESTMENT FOR GROWTH, February 2011. Jointly produced by the Department for Business, Innovation and Skills (BIS) and Department for International Development (DFID) Trade Policy Unit, this is the sixth paper in a series of 18 to inform the British Parliament of the “Trade and Investment Challenge.” This document sets out a strategy for securing the benefits of greater openness for the British economy, British business, for the global economy and especially for the world’s poorest people. This White Paper is the Government’s initial statement to their trade and investment partners across the world about how they plan to work together for mutual benefit. It also sets out the Government’s commitment to addressing the barriers that hold businesses back from trading and investing, and to ensuring that the UK is one the most attractive places in the world to invest and do business. This paper is available on the [BIS website](#).

ADVANCED ECONOMIES POSE THREE FINANCIAL RISKS TO DEVELOPING COUNTRIES IN 2011. By Liliana Rojas-Suarez. (Centre for Global Development, January 2011). As in recent years, the major risks for emerging market economies in 2011 will come not from the policies and actions of the countries themselves, but from developments in advanced economies. There are three major risks: the debt crisis in Europe and the ramifications of potential sovereign defaults, continued sluggish growth in the United States, and China’s role in the so-called “currency wars” that are adversely affecting many developing countries. Many developing countries have recently become notably resilient to adverse

external shocks; with good macroeconomic policies and some good luck, they may be able to weather the storm, but the United States, Europe, and China have large roles to play in their success or failure to do so. For the complete paper, please consult the Center for Global Development [website](#).
