



# Bridges Weekly Trade News Digest

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## LEAD STORIES

### US, EU, Japan Challenge China on Rare Earths

Following months of speculation, the US, Japan, and EU have jointly launched a WTO challenge against China's export restrictions on rare earths, as well as tungsten and molybdenum. The move – announced yesterday – comes just over a month after the global trade arbiter's highest court confirmed that Beijing violated WTO law and its accession protocol by restricting the exportation of nine raw materials.

The 17 controversial rare earth elements have unique magnetic, heat resistant, and phosphorescent properties and are crucial ingredients in the manufacturing process of many high-tech and green energy products, including wind turbines, engines for electric and hybrid vehicles, and medical equipment.

The complainants in the case argue that China's export quotas on the elements, combined with its near-monopoly over global production – some 97 percent of the world's supply, according to EU estimates – are highly disruptive to domestic industries and result in higher production costs. Market prices experienced a 20-fold price increase between mid-2010 and mid-2011, but have since fallen back in line.

They further complain that the policy offers Chinese competitors an advantage by providing them with cheaper and easier access to the elements compared to foreign manufacturers.

### Environmental grounds

In line with its rationale on restricting raw materials, China argues that the extraction process for producing rare earth elements is highly damaging to the environment and that the quota

restrictions have nothing to do with trade disruptions.

“In previous communications, China has emphasised that the purpose of these measures is to protect exhaustible natural resources and environment as well as maintain sustainable development,” China’s Ministry of Commerce (MOFCOM) said in a [statement](#). “China does not intend to protect domestic industry by distorting trade.”

While environmental grounds can be used in some instances to justify trade barriers at the WTO, the Appellate Body earlier this year ruled that Beijing’s export restriction policies for nine raw materials failed to meet the requirements set out by WTO law ([DS394](#), [395](#), [398](#)).

The Appellate Body ruled that these environmental exceptions could not be applied, as they were not explicitly referred to in the section of China’s accession protocol that prohibits export duties (see *Bridges Weekly*, [1 February 2012](#)). They also confirmed that quantitative export restrictions for finite natural resources taken with conservation aims could only be justified if they were coupled with similar limitations on domestic consumption and production.

For its part, Brussels argues that, despite the intended environmental protection goal of China’s rare earth export policies, Beijing’s approach is unlikely to achieve such an outcome.

“The EU supports and encourages all countries to promote an environmentally friendly and sustainable production of raw materials,” the EU said in a 13 March [press release](#). “However, the EU believes that export restrictions do not contribute to this aim; there are more effective environmental protection measures that do not discriminate against foreign industries.”

But this case might be different from the 2009 raw materials spat. As recently as this past January, China reformed its rare earths quota system, introducing additional environmental protection requirements as a prerequisite for receiving export permits.

The export restrictions are also part of a broader campaign by Beijing to address the pollution challenges that come with rare earths extraction. The government has wrestled with rampant illegal mining around the country for many years – a practice that will likely be exacerbated by any clampdown on production.

Meanwhile, some experts say that Beijing’s perceived stranglehold on rare earths extraction as a means to boost local downstream industries may not be as straightforward as previously thought.

A recent article by Indiana University professor Scott Kennedy for GK Dragonomics suggests that the policymaking process on rare earths in China is so fragmented among different levels of government that Beijing’s intentions may have little to do with reality on the ground.

“The general pattern has been for local governments to pretend to agree with central aims, and then go about doing whatever is needed to help their local firms,” Kennedy writes.

This fragmentation of rare earths policy prevents China from achieving many of its major objectives, including consolidating the industry and obtaining downstream technologies from foreign competitors, Kennedy argues, despite the country’s dominance in rare earths mining.

## US election year

The joint challenge is the latest in a series of road bumps in China-US trade relations and the issue is likely to intensify as President Barack Obama shores up his defence from Republican accusations that he is not doing enough to improve the domestic job market.

Republican presidential candidates, particularly Mitt Romney – considered by many to be the frontrunner for his party’s nomination – have been hammering Obama on his China policies on the campaign trail, a strategy that will likely intensify as the November election draws nearer.

Obama, however, says he is on firm ground *vis-à-vis* China, recently boasting that his administration has brought trade cases against China at almost double the rate of that of previous president

George W. Bush. In addition to recent skirmishes over China's solar panel and wind power subsidies, Obama in February announced the creation of a new agency tasked with identifying unfair practices by US trading partners.

The president noted the new Trade Enforcement Unit in a statement yesterday, suggesting that the US has taken on a new, less tolerant position on alleged trade violations.

"Our competitors should be on notice: You will not get away with skirting the rules," Obama said in a [statement](#). "When we can, we will rally support from our allies. And when it makes sense to act on our own, we will."

China is also facing a once-in-a-decade leadership change this year, with Wen widely expected to be replaced by Vice President Xi Jinping. Trade featured prominently in discussions between Xi and Obama when the two met in Washington last month (see Bridges Weekly, [22 February 2012](#)).

The request for consultations is the first step in the WTO dispute settlement process. Should the parties to the dispute be unable to reach a resolution after 60 days of talks, the EU, US, and Japan will have the right to ask that a WTO panel be established to hear the complaint.

ICTSD reporting; "AP source: US brings new trade case against China," ASSOCIATED PRESS, 13 March 2012; "Obama Takes Aim at China With Plan for WTO Case on Rare-Earth Export Caps," BLOOMBERG, 13 March 2012; "US to challenge China over rare earths," FINANCIAL TIMES, 13 March 2012; "Trade Issues With China Flare Anew," THE NEW YORK TIMES, 12 March 2012; "Deals Shows China's Sway in Rare-Earth Minerals," WALL STREET JOURNAL, 11 March 2012; "U.S. and Europe Move on China Minerals," WALL STREET JOURNAL, 13 March 2012.

## OTHER NEWS

### WTO Appellate Body Finds US Support for Boeing Illegal

The WTO's highest court confirmed this week that Washington had violated international trade rules by providing its flagship aircraft manufacturer, Boeing, with billions of dollars worth of illegal subsidies. The decision, which largely upholds an earlier panel ruling ([DS353](#)), is the latest twist in a high-profile row between the two sides over domestic support to their respective airplane industries.

In its [report](#), the Appellate Body largely agreed with a previous WTO panel that Boeing had received illegal state sponsored support between 1989 and 2006 worth more than US\$5 billion in total (see Bridges Weekly, [6 April 2011](#)). Subsidies granted after this date were estimated to be worth over US\$3 billion.

The Appellate Body also found that support for Boeing from the US Department of Defense and the National Aeronautics and Space Administration (NASA) in the form of research and development funding constituted illegal subsidies under the WTO's Agreement on Subsidies and Countervailing Measures (SCM Agreement).

In addition, the Appellate Body determined that reduced tax rates for aircraft manufacturers in the US state of Washington, federal tax breaks for foreign sales corporations, and friendly industrial revenue bonds issued to Boeing by the city of Wichita in the US state of Kansas were illegal under the SCM Agreement.

All subsidies were confirmed to have severely damaged the commercial position of Airbus, which makes them "actionable" under the SCMA. In other words, these payments must be withdrawn and may be subject to countervailing, or anti-subsidy, duties.

**Both sides claim victory**

Following the public release of the Appellate Body report, which had been issued privately to Washington and Brussels in late February, both sides applauded the ruling as victory.

EU Trade Commissioner Karel De Gucht welcomed the result as vindication that Washington is indeed at fault for providing Boeing with billions of dollars in prohibited subsidies.

“This landmark ruling clearly shows the US has used an unlawful way of supporting business that has stood in the way of fair competition,” he said.

For Washington’s part, US Trade Representative Ron Kirk instead highlighted the decision as a “tremendous victory” for the US, since illegal aid given to Boeing was found smaller than unlawful EU support for Europe’s major passenger plane producer Airbus – a case that had also reached the global trade body. (DS316).

“It is now clear that European subsidies to Airbus are far larger – by multiples – and far more distortive than anything that the United States does for Boeing,” he said.

Along similar lines, Boeing stressed that the WTO decisions in both cases “establish conclusively and finally that European subsidies competitively disadvantage Boeing and American workers and will continue to do so until launch aid is eliminated.”

### **Types of subsidies not comparable, EU says**

The EU rejected these views, however, stressing that the type of subsidies could not be “directly compared” as “there is a significant difference in the way the EU and US supported their industries.”

“The EU provided repayable loans, which are fully paid back by Airbus and where any subsidy element is only a small interest rate gap; while the US provided non-repayable funding of billions of dollars, as confirmed by the Appellate Body today.”

Brussels also says that, while the EU subsidies might be higher in numbers, the adverse effects

for Boeing are actually much smaller due to the nature of the payments.

In May 2011, the Appellate Body had determined that EU member states were at fault for giving below-market interest rate loans to Airbus to the tune of US\$18 billion and had requested Brussels to bring its measures into compliance (see Bridges Weekly, 25 May 2011). In particular, it criticised the EU’s Launch Aid programme for offering direct commercial financing with relaxed or non-existent conditions for repayment.

Washington recently rejected Brussels’ claim from December 2011 that it had fully complied with the adverse Airbus ruling. The US then threatened trade retaliation of between US\$7 to US\$10 billion and sought a WTO compliance ruling to authorise such countermeasures (see Bridges Weekly, 7 December 2011).

The parallel disputes together form the world’s largest trade spat, affecting jobs in an airplane market worth more than US\$2 trillion.

### **Next steps**

The US now has six months to comply with the ruling. If the EU finds that Washington has not met this obligation, it can seek a non-compliance determination at the WTO and impose retaliatory countermeasures.

For long, though, experts have argued that the conflict cannot be resolved through adjudication and that WTO rulings can, at best, be informative for a bilateral negotiation process between the parties.

Though in theory both sides can request authorisation to impose countermeasures, this could result in a tit-for-tat row, adversely hurting both manufacturers to the advantage of the civil aircraft industries in third countries such as Canada and Russia. A mutually solution thus appears the most likely scenario.

ICTSD reporting; “In Appeal, W.T.O. Upholds a Decision Against Boeing,” THE NEW YORK TIMES, 12 March 2012; “U.S. Calls WTO Boeing Appeals Ruling a Victory; Airbus Says EU is Winner,” BLOOMBERG, 12 March 2012; “WTO

appeal faults Boeing subsidies: sources,” REUTERS, 9 March 2012.

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## European Air Industry, Brussels Spar over EU Aviation Emissions Rule

A group of Europe’s top aviation companies have jointly called upon the bloc’s political leaders to stop an escalating conflict over the inclusion of aviation into its emissions trading scheme (ETS). Brussels insists, however, that the legislation requiring airlines to surrender carbon permits for the emissions they produce during all incoming and outgoing flights will stand until a global agreement regarding aviation emissions has been reached.

Citing concerns that the legislation could spark a global trade war, the CEO of European aircraft producer Airbus, together with the chiefs of six large European airlines and two aerospace engine producers, issued joint letters on Monday to various European political leaders, including the prime ministers of the UK, France, and Spain, and Germany’s chancellor.

In the letter, the industry chiefs claimed that the brewing trade row over the EU ETS has already put at risk at least US\$12 billion worth of Airbus orders from China, along with 2,000 jobs in Europe and in other parts of the supply chain.

“The situation is becoming intolerable for the European aviation industry,” they said.

The CEOs added that they expect “suspensions, cancellations, and punitive actions” by other countries to increase “as other important markets continue to oppose [the extension of] ETS.”

“The aim must be to find a compromise solution and to have these punitive trade measures stopped before it is too late,” the industry chiefs said in their letter.

The campaign was led by Airbus, and backed by British Airways, Virgin Atlantic, Lufthansa, Air France, Air Berlin, Iberia, and aerospace engine

makers Safran of France and MTU Aero Engines of Germany.

### Retaliation concerns

The letter comes two weeks after a group of over 20 countries that oppose the inclusion of aviation in the ETS – including the US, China, India, and Russia – announced that they had agreed on a set of possible options for retaliating against the EU scheme. (See Bridges Weekly, 22 February 2012) The announcement fuelled fears that the EU could soon find itself in a trade war.

While China has barred its airlines from participating in the scheme without government approval – making it the only country to date that has taken action in response to the EU plan – the country’s civil aviation head stressed last week that Beijing is not planning to take retaliatory measures.

“We are not in a position where we have to retaliate,” Li Jiaxiang, chief of China’s Civil Aviation Administration, told reporters, adding that Beijing was taking “positive measures of talking via the International Civil Aviation Organization and other bodies.”

### Wait for a global solution, industry CEOs argue

The industry chiefs argued that “only a global solution” would be able to resolve the problem of aviation emissions. They urged that such a solution must be found in the context of the International Civil Aviation Organization (ICAO), the 191-member UN civil aviation body

The ICAO has said that it plans to have a proposal of measures to address aviation emissions by year’s end.

The European Commission had originally maintained that it preferred that the ICAO be the body responsible for regulating aviation emissions. However, the EU then included aviation in its emissions trading system after it deemed the UN body’s progress to be too slow.

In a February interview with Reuters, ICAO Secretary General Raymond Benjamin said that

the organisation is still working with that goal in mind, despite critics calling for an earlier solution.

“I read the press like anyone. I listen to all of the criticisms which have been stated by some about the pace,” Benjamin said. “You have to understand that ICAO is an international organisation with a membership of 191 countries, and you have to find a consensus.”

### **Brussels stands its ground**

Responding to the industry chiefs’ appeal, EU officials maintained that Brussels will only consider changes to the rule should countries manage to put together a global aviation emissions agreement. Germany and the UK issued similar responses, according to the Financial Times.

“The EU legislation [implementing the EU carbon scheme] will not be suspended for aviation,” a spokesman for Connie Hedegaard, the bloc’s climate commissioner, affirmed. “We will only review our legislation in the light of an ambitious global agreement coming into force that deals with aviation emissions.”

The climate commissioner’s spokesman also said that Brussels is “keen on exploring the different possibilities and flexibility that the legislation allows” – while adding that the EU is determined to move forward with the plan.

Brussels has made clear that it will respond to any attempts at retaliation, should non-EU countries decide to impose countermeasures. Speaking last month to a European Parliament Committee, Commission Director General for Climate Action Jos Delbeke said that “retaliation cannot happen, and if it happens we will act immediately and appropriately.”

Delbeke added that the Commission is “fully committed” to working with the ICAO, adding that Brussels was very involved behind the scenes.

### **EU politicians support proposal to withhold carbon permits**

As tensions continue to build over the Brussels scheme, plummeting carbon prices have prompted

EU politicians to vote in favour of intervening in the carbon market upon which the ETS is built.

The EU market has become saturated with excess carbon permits, with the price of carbon dropping drastically as a result. Carbon prices currently sit at around €8 per tonne, compared with its 2008 peak of nearly €30 per tonne.

The European Parliament’s industry committee voted on 28 February to allow the European Commission to take steps that “may include withholding of the necessary amount of allowances” from the 2013-2020 phases of the carbon market, for the sake of propping up prices.

For the intervention to become law, the European Commission would next need to make a formal proposal to withhold permits; the proposal would then require the approval of the European Council’s 27 environment ministers, following a parliamentary debate.

ICTSD reporting; “Brussels rejects air industry move on carbon,” FINANCIAL TIMES, 12 March 2012; “Delay EU carbon levy, says air industry,” FINANCIAL TIMES, 11 March 2012; “China says EU carbon rule to cost \$2.8 bln by 2030,” REUTERS, 5 March 2012; “U.N. aviation body says emissions proposal by year-end,” REUTERS, 2 March 2012; “EU will respond to any airline carbon retaliation,” REUTERS, 28 February 2012; “UPDATE 1-EU politicians back plan to withhold EU CO2 permits,” REUTERS, 28 February 2012.

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## **India Grants First Compulsory License to Generic Drug Producer**

In a landmark move, the Indian Patent Office announced on Monday that it has issued its first compulsory license to a domestic generic drug-maker. The decision effectively ends German pharmaceutical company Bayer AG’s monopoly over an anti-cancer drug and authorises the production of a low-cost version for the Indian market.

Compulsory licensing is when a government authorises a party other than the patent owner to



produce the patented product or process, without the patent owner's consent.

New Delhi's decision may pave the way for other Indian generic producers to ask for compulsory licenses on patent-protected medicines if the right-holders fail to supply the products at affordable prices and in sufficient quantities. It could also potentially encourage other developing countries to use compulsory licensing for drugs for non-communicable diseases, which has until now mostly been limited to HIV drugs in these countries, experts say.

India is the world's third-largest pharmaceutical drug producer by volume; in 2011 the domestic pharmaceutical market reached a record of US\$12.2 billion in sales. Patents on pharmaceutical products in India have been under the spotlight recently as Swiss drug manufacturer Novartis fights the rejection of a patent on another cancer drug on the grounds that it is not sufficiently innovative.

India only began issuing patents for drugs in 2005 in order to comply with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). The TRIPS Agreement explicitly allows compulsory licensing as long as procedures and conditions set out in Article 31 of TRIPS are fulfilled.

### **Drug now poised to enter Indian market, patent office says**

Under Section 84 (1) of the Indian Patent Act, any person may request a compulsory license if, after three years from the date of the grant of a patent, the needs of the public to be covered by the invention have not been satisfied; the invention is not available to the public at an affordable price; or the patented invention is not "worked in," or manufactured in the country, to the fullest extent possible.

Bayer acquired an importing license for Nexavar – the company's brand name for the drug sorafenib tosylate – in 2007; the patent on the drug was granted one year later. The company has claimed that Nexavar's sales in India were undermined by the marketing of a similar drug by

another domestic generic producer, CIPLA, which it had sued for infringement.

According to the Indian Patent Office's decision, the German drug-maker did not begin importing the drug to India in 2008 and only small quantities were available during the following two years.

Bayer "took no adequate or reasonable steps to start the working of the invention in the territory of India on a commercial scale and to an adequate extent," the decision notes.

"The drug is exorbitantly priced and out of reach of most of the people," the patent authority wrote in its 62-page decision. "The product in question is not a luxury item but a lifesaving drug and it is highly important that a substantial part of the demand be met strictly. In the present case, even 1 percent of the public doesn't derive benefit of the patented drug."

In its compulsory license request, Indian generic manufacturer Natco proposed selling sorafenib tosylate at Rs. 8,800 per patient per month - approximately US \$175 - resulting in a 97 percent price cut compared to Nexavar.

The compulsory license has been granted until 2020. Natco is not entitled to export the drug or to outsource its production.

The Indian Patent Office also said that Natco must pay royalties to Bayer on a quarterly basis at the rate of 6 percent of the net sales of the medicine, in accordance with remuneration guidelines set forth by the United Nations Development Programme.

### **Mixed response**

Tido von Schoen-Angerer, Director of Médecins Sans Frontières' (MSF) Access Campaign, welcomed the announcement. "The decision marks a precedent that offers hope: it shows that new drugs under patent can also be produced by generic makers at a fraction of the price, while royalties are paid to the patent holder."

"This decision serves as a warning that when drug companies are price gouging and limiting availability, there is a consequence," added

Michelle Childs, Director of Policy/Advocacy at the MSF Access Campaign.

For his part, Tapan Ray of the Organisation of Pharmaceutical Producers of India – an industry group of multi-national drug-makers – opposed the decision, saying that "the solution to helping patients with innovative medicines does not lie in breaking patents or denying patent rights to the innovators."

Bayer has the option of appealing the decision; the case could potentially reach the Indian Supreme Court.

ICTSD reporting; "Bayer mulls challenge to India cancer drug ruling," AFP, 13 March 2012; "India Grants First Compulsory Licence, For Bayer Cancer Drug," IP WATCH, 12 March 2012; "India's Supreme Court to Hear Dispute on Drug Patents," NEW YORK TIMES, 6 March 2012; "Analysis: India cancer ruling opens door for cheaper drugs," REUTERS, 13 March 2012.

## IN BRIEF

### India Partially Removes Cotton Export Ban

The Indian government announced its intention to partially repeal a recent ban on the export of cotton on Monday, just one week after originally enacting the measure.

Export permits issued before the ban will be re-validated within the next ten days, Commerce Secretary Rahul Khullar said on Monday. Cotton exporters will be allowed to ship 2.5 million bales of cotton that had already been approved for export before the ban, avoiding potentially disastrous defaults.

However, part of the ban still remains in place, with the issuing of new cotton export registration certificates suspended until an unannounced future date, according to the official [statement](#) released by the Indian government's Ministry of Commerce and Industry.

The surprise 5 March ban – which the government had said was needed for ensuring domestic cotton supply – had run into strong resistance from the country's agriculture minister, leading politicians from cotton-growing provinces, and Indian cotton farmers and traders. (See Bridges Weekly, [7 March 2012](#))

The move also drew a quick response from China, the Indian cotton industry's largest foreign purchaser.

New Delhi's recent export ban follows another that came in 2010. Frustrated with the market volatility caused by the world's second largest cotton exporter's sudden prohibitions, the China Cotton Association – which is supervised by the country's Ministry of Civil Affairs – released a [statement](#) on 8 March arguing that India's manoeuvres "disturbed international cotton trade order seriously."

### Other countries 'stockpiling', India says

The government also plans to review all of the cotton export permits that have been issued within the past two months in response to a perception that other countries are accumulating excessive reserves, leading to domestic shortages.

"More than 85 percent of shipments [from India] is going to China. We have evidence that they were stockpiling," Secretary Khullar told reporters on Monday.

The continuance of a full prohibition on new export registrations has some industry groups concerned about the overall effect on trade of Indian cotton.

"We are very disappointed," Dhiren Sheth, president of the Cotton Association of India, told the Wall Street Journal in response to the new policy, adding that he was not opposed to the review of existing registration certificates.

"I am concerned about new registration certificates not being allowed," he continued. "That means the flow of cotton has been stopped, blocked."



## A week of policy shifts

The latest developments follow a series of abrupt changes in India's cotton export policy over the past week.

The 5 March ban was followed by a government announcement of a partial reversal on 9 March, before a complete repeal was announced two days later. The full repeal was declared by Commerce Minister Anand Sharma.

The policy changed again the next day when Secretary Khullar announced the current moratorium on new registrations.

A group of ministers is scheduled to review the policy again in two weeks.

If the export ban is ultimately lifted in full, the world's supply of cotton is expected to outpace demand by a large margin. A report issued on 9 March by commodities researchers at the brokerage firm Morgan Stanley projected a record global surplus of cotton, in the case of unrestricted Indian exports.

"India Bans Fresh Cotton Exports - For Now," REUTERS, 12 March 2012; "India Partially Ends Cotton-Export Ban After Growers Protest," BLOOMBERG, 12 March 2012; "India Ends Cotton-Shipment Ban, to Revalidate Existing Permits for Export," BLOOMBERG, 12 March 2012; "India Unpicks Cotton Shipments Ban," FINANCIAL TIMES, 12 March 2012; "India Partially Lifts Cotton Export Ban," WALL STREET JOURNAL, 12 March 2012.

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## Canada, EU Push to Finalise Trade Talks by Year's End

After nearly three years of negotiations, Ottawa and Brussels are aiming to clinch a free trade accord by the end of 2012. However, Canadian officials have also cautioned that progress in the bilateral talks may slow in the coming months, as the two sides work to resolve remaining obstacles.

Gordon Campbell, Canada's High Commissioner to the UK, indicated in a statement last week that

the two trade partners have "some very intense negotiations going on, but I think by the end of the year we will have a deal ready for consideration."

In a statement last month following bilateral talks, Canadian Trade Minister Ed Fast also confirmed the end of year goal. However, he conceded that negotiations could continue for even longer.

"One thing I don't want to do is put an arbitrary time line on our negotiations," Fast told reporters.

"I'm not going to negotiate an agreement and I'm not going to sign off on an agreement unless it is indeed in the very best interest of Canadians," he added.

The predicted date for a conclusion to the negotiations has changed repeatedly since the talks began. Canadian and EU officials said earlier this year that the discussions should be completed by the end of summer 2012.

Canada-EU bilateral trade in goods totalled C\$77 billion, or US\$77 billion, in 2010. Officials forecast that the deal would lead to 80,000 new jobs in Canada and add C\$12 billion to the country's economy, while increasing two-way trade by 20 percent.

## Critical decisions await

Canada has stressed throughout recent weeks that a trade pact with the EU is essential to the growth of their country.

"There is no larger integrated economy in the world than the European Union [and] ... there is no more important Canadian trade negotiating priority than reaching a trade agreement with the region," Fast told reporters last month.

The pact was also backed at this year's World Economic Forum in Davos, Switzerland, by British Prime Minister David Cameron, who made a push for the EU to focus on bilateral trade deals in the absence of progress in the WTO's Doha Round of trade talks.

However, the two trading partners have yet to resolve some contentious issues in the

negotiations. One concern Canada must weigh is whether or not to amend its Patent Act to give additional protection to European drug firms, a move strongly opposed by the Canadian generic pharmaceutical industry. Canada's Patent Act had not been discussed in the latest round of talks, Fast said last month.

Other areas that have yet to be settled include investment protection, intellectual property, market access for agricultural goods, and opening up local and national procurement markets.

### EU dirty oil vote in the rear-view

Trade relations between the two sides became strained during the early part of this year, ahead of a 23 February vote regarding Canada's tar sands. The controversial EU plan would have amended the EU's fuel quality directive to label oil originating from oil sands deposits, like those found in the Canadian province of Alberta, as "highly polluting."

The plan was temporarily put on hold, however, after an EU committee failed to make a definite decision on the matter. The proposal is now set to go to the environment ministers of the EU's 27 member states. (See Bridges Weekly, [29 February 2012](#)).

The vote had ramped up trade tensions between the two sides, with Canadian officials questioning the scientific basis of the proposed ranking and suggesting that it might amount to unfair discrimination by the EU.

In spite of the heated rhetoric surrounding the vote, however, a spokesman for the Canadian trade ministry stressed at the time that the matter was "not linked to our commitment to productive free trade discussions with the European Union."

ICTSD reporting: "Canada says EU free trade talks set to drag," REUTERS, 28 February 2012; "Trade minister says EU free trade talks on track," CANADA.COM, 28 February 2012; "Canada Says It Expects Europe Trade Deal by End of This Year," BLOOMBERG, 11 March 2012.

## WTO IN BRIEF

### Most Brazilian Farm Support De-linked from Production, Data Shows

Farm subsidies in agricultural powerhouse Brazil remained mostly de-linked from production in 2008-09, new figures from the government indicate.

Although the country provided almost US\$6 billion in total farm support, the government's latest report to the WTO indicates that over US\$3.5 billion caused no more than minimal trade distortion – a category which is exempt from any ceiling at the WTO, where it is known as 'green box' spending.

Spending on one green box category alone, 'general services', accounted for over US\$2.2 billion in 2008-09, according to the report. Extension work, infrastructural services, agrarian reform, and research were among the programmes reported under this category – all types of support which WTO members tend to agree should be exempt from any limits at the global trade body.

Spending on infrastructure, extension services, and research grew particularly rapidly over the period covered by the report, which covered agricultural marketing years 2006-07 through to 2008-09. Green box payments – which are more usually linked to government budget cycles - were reported by calendar year instead.

Domestic food aid, along with public stockholding for food security purposes, also represented a significant share of total green box support – together amounting to over US\$1.2 billion in 2008-09. Brazil has made reducing food insecurity a government priority in recent years.

The government notified just under US\$2.4 billion of trade-distorting payments for 2008-09, of which only US\$292 million counted towards Brazil's WTO ceiling for highly-distorting 'amber box' payments – set at US\$912 million, according to commitments made at the global trade body.

The remaining US\$2 billion of trade-distorting farm subsidies fell under the country's permitted 'de minimis' allowance, which covers support worth less than 10 percent of the value of production. However, sources told Bridges that trading partners would continue to seek further information from Brasilia on how these numbers were calculated – an issue which has been raised in the past, by the US in particular.

### Cotton subsidies drop

The bulk of Brazil's trade-distorting support was provided in the form of payments that were not directed towards any particular farm product, government figures indicate. In 2008-09, as much as US\$1.2 billion was allocated towards debt rescheduling programmes, according to the data notified by Brasilia to the WTO.

Products that benefited from government support programmes with trade-distorting effects included wheat, rice, and maize, although in 2008-09 only wheat support was not covered by the de minimis threshold. In the two previous years, the government provided over US\$300 million to support cotton producers, according to the official figures, although no spending on this crop was notified for 2008-09.

The government also indicated that in 2008-09 it had provided slightly under US\$900 million in spending on 'development programmes', under a special WTO category that developing countries can use to provide input and investment subsidies to their farmers.

Sources told Bridges that, as most countries have not yet had a chance to review the new figures, they are unlikely to be discussed in detail at next Wednesday's meeting of the WTO committee on agriculture. However, they will be discussed at the following session, in June.

The full subsidy notification, dated 1 March 2012, (G/AG/N/BRA/27) is available online at: <http://docsonline.wto.org>.

ICTSD reporting.

## EVENTS & RESOURCES

### Vacancy

The Commonwealth Secretariat is seeking candidates to fill two temporary assignment positions at the Office of the Chief Trade Adviser (OCTA): Economic Trade Adviser and Legal Trade Adviser. Both positions are two-year assignments located in Port Vila, Vanuatu and are open only to nationals from Commonwealth member countries. Both positions will work on an OCTA project entitled "Strengthening the Office of the Chief Trade Adviser (OCTA) to support and build the capacity of Pacific Forum Island Countries in PACER+ negotiations." Interested candidates should have a background in economic research on international trade and policy issues on regional integration and at least seven years experience working at progressively senior levels on economic issues related to trade. Interested candidates should contact James Lek, Human Resources, Commonwealth Secretariat at [j.lek@commonwealth.int](mailto:j.lek@commonwealth.int). The closing date to apply is 16 March 2012.

### Events

#### Coming soon

15 March, Washington, US. GENDER AND TRADE: CATALYZING WOMEN'S ECONOMIC EMPOWERMENT GLOBALLY. Organised by the Washington International Trade Association, this event hosts a panel of experts who will discuss the challenges and opportunities of empowering women economically. Questions that will be explored at the event will include: the role of trade; how to use capacity building in addressing the economic challenges facing women; and how the private sector can more closely collaborate with the public sector to accelerate economic gains for women. For more details, please visit WITA's [website](#) for this event.

15 March, Geneva, Switzerland. DE-FRAGMENTING AFRICA: DEEPENING REGIONAL TRADE INTEGRATION IN

**GOODS AND SERVICES.** Held at the WTO, this event will present the findings of a new World Bank report that focuses on regional trade integration in Africa. The report shows how African countries are losing out on billions of dollars in potential trade earnings every year because of high trade barriers with neighbouring countries, and that it is easier for Africa to trade with the rest of the world than with itself. The report argues that three issues need to be addressed by African leaders to overcome the existing fragmentation and generate much-needed jobs and growth: improving cross-border trade; removing a range of non-tariff barriers to trade; and reforming regulations and immigration rules that limit the potential for trade in services. For more information, please visit the World Bank's [website](#).

15 March, Edinburgh, UK. **RENEWABLEUK WAVE AND TIDAL CONFERENCE 2012.** This event, hosted by RenewableUK, aims to explore the primary challenges facing the industry as well as highlighting the opportunities that exist for involvement in the wave and tidal energy sectors. The challenges include identifying funding and incentives that will encourage utilities and equipment manufacturers to deliver the world's first marine energy arrays over the next few years. The conference aims to bring together anyone interested in the development of the sector's potential. Nearly 500 government and industry professionals are expected to attend. Fifty companies active in the UK wave and tidal sector will be on display at the accompanying exhibition. For more details, please visit the event's [website](#).

16 March, Geneva, Switzerland. **WORKSHOP ON CLIMATE CHANGE REPORTING.** Held at the United Nations, this event is jointly sponsored by the UN Conference on Trade and Development (UNCTAD), the Organisation for Economic Co-operation and Development (OECD), the Climate Disclosure Standards Board (CDSB), and the Global Reporting Initiative (GRI). The objective of this event is to take stock of current corporate climate change reporting frameworks and assess the benefits of greater consistency of approach to the demand for, and supply of, corporate climate change-related information. The workshop will focus on providing information, evidence, and resources to

support greater understanding of the policies, initiatives, and practices. Lastly, organisers hope the event will pave the way for further discussions on consistency in the demand for and supply of climate change-related information. For more details, please visit the event's [website](#).

17-18 March, New York, US. **SECOND GLOBAL TRANSITION DIALOGUE ON THE NEW ECONOMY.** The Global Transition 2012, in collaboration with several other organisations, is hosting this dialogue for stakeholders to engage in open discussion regarding practical, implementable solutions that could facilitate a global transition to the new economy. The dialogue will focus on the 'priority areas' of the green economy that were identified in the Rio+20 zero draft document, and the proposed Sustainable Development Goals, with the aim of facilitating partnerships and 'coalitions of the willing' who intend to play a significant role in this area. For more information about the event, please click [here](#).

21-22 March, Geneva, Switzerland. **SIXTH AVIATION AND ENVIRONMENT SUMMIT.** This annual summit, hosted by the Air Transport Action Group (ATAG) and various other organisations, will bring together around 350 industry and stakeholder representatives to explore ways in which aviation can continue to provide jobs, power economic growth, and serve the public while minimising the industry's environmental footprint. This year's summit will build on the 2008 Summit, which provided a forum for the signing of a declaration on climate action by leaders from across the aviation industry. The event will consist of four informative discussion-based sessions that will focus on topics such as the role of aviation in sustainable development, developing sustainable capacity for aviation, tackling the challenges with using biofuels, and creating a global framework for future solutions. The summit will also include panel and roundtable discussions. For more details, please visit the event's [website](#).

## WTO Events

An updated list of forthcoming WTO meetings is posted [here](#). 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.

15 March: Working Group on Trade and Transfer of Technology

16 March: Working Party on the Accession of the Lao People's Democratic Republic

19 March: Working Party on GATS Rules

19 March: Committee on Trade in Financial Services

20-21 March: Committee on Regional Trade Agreements

20 March: Committee on Specific Commitments

20-22 March: Committee on Technical Barriers to Trade

20+22 March: Trade Policy Review Body – Philippines

20 March: Committee on Trade and Development – Special Session

21 March: Committee on Agriculture

21 March: Working Party on Domestic Regulation

### Other Upcoming Events

22-24 March, Bloomington, US. CONFERENCE ON CHINA AND GLOBAL GOVERNANCE. Organised by the Indiana University Research Centre for Chinese Politics & Business (RCCPB), this meeting will focus on issues of trade, investment, intellectual property rights, public health and labour, foreign aid, the environment, and sustainable development. The event is being co-sponsored by the Henry Luce Foundation and the International Centre for Trade and Sustainable Development (ICTSD), among others. Elinor Ostrom, winner of the 2009 Nobel Prize in Economics, will be the event's keynote speaker.

For more information about this conference, please visit the event's [website](#).

22-27 March, Addis Ababa, Ethiopia. FIFTH JOINT CONFERENCE OF THE AFRICAN MINISTERS OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT. The Fifth Annual Joint Meeting of the African Union (AU) Conference of Ministers of Economy and Finance, and the UN Economic Commission for Africa (ECA) Conference of African Ministers of Finance, Planning and Economic Development will be held under the theme “Unleashing Africa's Potential as a Pole of Global Growth.” The objective of the conference is to provide a platform for African ministers to deliberate on Africa's role in solving the problem of low global growth, high unemployment, and global imbalances, while addressing which challenges must be addressed in order to position Africa as the new pole of global growth. For more information or to view the conference programme, please visit the event's [website](#).

26-28 March, Geneva, Switzerland. UNCTAD POLICY DIALOGUE: REDEFINING THE ROLE OF GOVERNMENT IN TOMORROW'S INTERNATIONAL TRADE. Classified as a UNCTAD XIII Pre-Event, this policy dialogue will be held at the United Nations. This three-day event brings together trade policymakers, business representatives, civil society, leading scholars, and opinion leaders to clarify the role of the government in achieving inclusive development through trade in the face of “new realities” in international trade. Key issues for discussion include redefining the role of trade policy for inclusive growth in the 21st century; the government and business sector in trade policymaking; the 21st century international trade agenda; and partnership for inclusive development through trade. For more information about this event, please click [here](#).

19 April, Doha, Qatar. UNCTAD XIII GLOBAL SERVICES FORUM 2012. Jointly organised by the UN Conference on Trade and Development (UNCTAD), Talal Abu-Ghazaleh International, and the Commonwealth Secretariat, the Global Services Forum 2012 will be held at the Qatar National Convention Centre. The Forum will bring together ministers and high-level

policymakers, trade negotiators, business leaders, coalitions and associations of services industries, international organisations, and other stakeholders to address the growth and employment potential of services sectors. Other topics for discussion include new strategies for building services' productive and export capacity, and removing barriers to services trade in a manner conducive to inclusive and sustainable economic and social development. Participants are requested to register with the UNCTAD secretariat by 20 March 2012. For more information about this event, please click [here](#).

21-26 April, Doha, Qatar. THIRTEENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD XIII) AND CIVIL SOCIETY FORUM. This conference will convene under the theme "Development-centred globalization: Towards inclusive and sustainable growth and development." The conference's aim is to enhance the understanding of specific trade and development issues, especially after the fallout of the economic crisis. In parallel with the conference, UNCTAD has also partnered with the United Nations Non-Government Liaison Service and the Qatari National Human Rights Committee to organise a Civil Society Forum, where representatives from the private sector and civil society will explore different ways to strengthen partnerships with UNCTAD to boost the effectiveness of trade and development efforts. The Civil Society Forum will begin its work on 17 April. For more information on the UNCTAD XIII Conference and the Civil Society Forum, please visit the UNCTAD XIII [website](#).

7-11 May, Rio de Janeiro, Brazil and 20-24 May, Beijing China. COMPANIES AND MARKETS IN TODAY'S CHINA. This executive programme is designed for private and public executives from Latin America with current or future work prospects in China. The two-week course will be held first in Rio de Janeiro at the headquarters of Fundação Getulio Vargas (FGV) and then in Beijing at Tsinghua University. The course aims to provide international expertise about China's current political and economic landscape, as well as direct access to executives, innovating companies, planners, and opinion

formers in China. For more details, or to register, please click [here](#).

15-20 July, Frankfurt, Germany. SUSTAINABLE ENERGY FINANCE SUMMER ACADEMY 2012. Held by the Frankfurt School – UN Environment Programme (UNEP) Collaborating Centre for Climate and Sustainable Energy Finance, this event is a summer academy course that aims to provide participants with a comprehensive framework for financing renewable energy and energy efficiency projects in both emerging and developing markets, including practical, integrated knowledge and tools. There will be a second Summer Academy held on 21-26 October in Nairobi, Kenya, which will have a special regional focus on Africa. This year the Frankfurt School expects to welcome participants from more than 50 countries. Topics to be discussed include: climate change and policy negotiations; sources of financing in the public, private, and carbon markets; and project analysis of risk identification and allocation, cash flows, and financial modelling. Please note that this event requires an application process. The application deadline for Frankfurt is 15 May 2012. For more information, please visit the event's [website](#).

24-26 September, Geneva, Switzerland. WORLD TRADE ORGANIZATION PUBLIC FORUM 2012. Convening under the theme "Is multilateralism in crisis?", the Public Forum is the WTO's largest annual outreach event. It aims to provide a platform for participants to discuss the latest developments in world trade and to propose ways of enhancing the multilateral trading system. The event regularly attracts over 1,500 representatives from civil society, academia, business, the media, governments, parliamentarians, and intergovernmental organisations. For more details about this event, please visit the WTO's [website](#).

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## Resources

AGRICULTURAL KNOWLEDGE AND INNOVATION SYSTEMS: OECD CONFERENCE PROCEEDINGS. Published by the Organisation for Economic Co-operation and



Development (OECD) (February 2012). This book provides an overview of conference proceedings from the OECD Conference on Agricultural Knowledge Systems (AKS), held in Paris in June 2011. At the conference, participants discussed a large range of experiences and approaches to AKS and explored how to foster development and adoption of innovation to meet global food security and climate change challenges. The conference considered developments in institutional frameworks, public and private roles and partnerships, regulatory frameworks conducive to innovation, the adoption of innovations and technology transfers, and the responsiveness of AKS to broader policy objectives. For more information, please click [here](#).

ECONOMIC POLICY REFORMS 2012: GOING FOR GROWTH. Published by the Organisation for Economic Co-operation and Development (OECD) (February 2012). The OECD's annual report highlighting developments in structural policies in OECD countries identifies structural reform priorities to boost real income for each OECD country, along with key emerging economies such as Brazil, China, India, Indonesia, Russia, and South Africa. The analysis also regularly takes stock of reform implementation in all the countries covered. This report provides internationally comparable indicators that enable countries to assess their economic performance and structural policies in a wide range of areas. Each issue also has several thematic studies. For more information, please click [here](#).

NATURAL RESOURCES DEFENSE COUNCIL (NRDC) REFLECTIONS ON THE RACE-TO-RIO NEWSLETTER. Published by the Natural Resources Defense Council (NRDC) (February 2012). NRDC's new periodic news update aims to bring the latest perspectives on preparations for the June 2012 Rio+20 Summit. The newsletter will focus on manifestations of political will, real actions towards a green economy, and the use of new technologies and innovative structures for accountability and citizen engagement. The newsletter also provides suggestions for government action and ways to speed up the transition to a sustainable future at the June event. The Race-to-Rio newsletter can be viewed [here](#).

PUBLIC POLICY AND AGRICULTURAL DEVELOPMENT. Edited by Ha-Joon Chang for Routledge (August 2011). This book re-examines the paradigm of agricultural development policy from historical and comparative perspectives. Evaluating the experiences of 11 developed countries in their earlier stages of development and the experiences of 10 developing and transition economies in the last half a century, the book offers an in-depth discussion on a range of public policies of agriculture from both the past and present. The book also presents six detailed case studies of agricultural policy in the last half a century in two Latin American countries (Chile and Mexico), two African countries (Ethiopia and Ghana), and two Asian countries (India and Vietnam). For more information on this resource, please click [here](#).