



Bridges Weekly Trade News Digest

Weekly trade news from a sustainable development perspective

Volume 16 · Number 12, 28 March 2012

LEAD STORIES

India Confirms Boycott of EU Aviation
Emissions Rule 1

OTHER NEWS

US Suspends Argentina from Trade Preference
Scheme 3

WTO Panel Hearing: Canada Defends Feed-in
Tariff as Necessary Govt Procurement 4

European Commission Eyes Tit-for-Tat
Mechanism to Open Govt Procurement Markets6

IN BRIEF

European Parliament Committee Rejects Legal
Review of Anti-Counterfeiting Pact 8

Pakistan Implements 'Negative List' for India
Trade..... 9

Canada, Japan to Begin Trade Talks 10

WTO IN BRIEF

WTO: Cold Welcome for Ag Export
Competition 'Early Harvest' 11

US Contests Country of Origin Labelling
Decision 11

EVENTS & RESOURCES

Events..... 12

Resources 14

Bridges Weekly Trade News Digest© is published by the International Centre for Trade and Sustainable Development (ICTSD), an independent, not-for-profit organisation based at Ch. de Balexert 7, 1219 Geneva, Switzerland, tel: +41 (0) 22-917-8492; fax: 917-8093. To subscribe to Bridges Weekly Trade News Digest or access back issues, visit the [homepage](http://www.bridgesdigest.org).

Bridges Weekly Trade News Digest is made possible through the generous support of the UK Department for International Development (DFID), the Swedish International Development Cooperation Agency (SIDA); the Netherlands Directorate-General of Development Cooperation (DGIS); the Ministry of Foreign Affairs of Denmark, Danida; the Ministry for Foreign Affairs of Finland; the Ministry of Foreign Affairs of Norway; AusAID; and Oxfam Novib.

Copyright ICTSD, 2012. Readers are encouraged to quote and reproduce this material for educational, non-profit purposes, provided the source is acknowledged. This work is licensed under the Creative Commons Attribution-NonCommercial-No-Derivative Works 3.0 License.

Your support to BRIDGES and the BRIDGES series of publications is most welcome; if interested, please contact [Andrew Crosby](mailto:andrew.crosby@ictsd.org), Managing Director at (+41) 22 917 8335.

Contributors to this issue are Sofia Alicia Balriño, Matt Fleszar, Jonathan Hepburn, Alessandro Marongiu, and Madison Parrish. This edition of Bridges Weekly Trade News Digest is edited by Sofia Alicia Balriño.

The Publisher and Director is Ricardo Meléndez-Ortiz. The Editor in Chief is Andrew Crosby. Comments and suggestions are welcomed and should be directed to the [editor](mailto:editor@bridgesdigest.org) or the [director](mailto:director@bridgesdigest.org).

ISSN 1563-0

LEAD STORIES

India Confirms Boycott of EU Aviation Emissions Rule

Tensions continue to run high over the inclusion of aviation in the EU's Emissions Trading System (ETS), after Indian government officials confirmed last Thursday that New Delhi would be asking its airlines not to participate in the scheme. Meanwhile, the trade group representing the largest US airlines is now calling upon the White House to pursue a case against the Brussels plan at the International Civil Aviation Organization.

"Though the European Union has directed Indian carriers to submit emissions details of their aircraft by March 31, 2012, no Indian carrier is submitting them in view of the position of the government," India civil aviation minister Ajit Singh said. "Hence the imposition of a carbon tax does not arise."

The move makes India the second country to take concrete action against the inclusion of aviation in the Brussels scheme, with China having earlier banned its own airlines from complying with the EU ETS without government approval.

Beijing has also reportedly halted the orders of US\$14 billion worth of jets from Europe's flagship airplane manufacturer, Airbus, in response to the aviation emissions rule. However, this claim has been contested by China's aviation regulator, Li Jiaxiang, who indicated in an interview with Bloomberg that the country's airlines have not been barred from buying Airbus planes.

The US has also warned that it could take "appropriate action" in response to the scheme, but has yet to take any concrete steps. However, Airlines for America – the trade group that had, together with three US airlines, unsuccessfully

challenged the legality of including aviation in the scheme at the European Court of Justice – is now calling on the administration of US President Barack Obama to bring a case through the International Civil Aviation Organization (ICAO), the UN civil aviation body.

“There is a clear path for the United States to force the EU to halt the scheme and protect US sovereignty, American consumers, jobs and international law,” said Airlines for America President and CEO Nicholas E. Calio.

The EU rule, which requires airlines to surrender carbon permits for the emissions they produce during all flights taking off or landing in the 27-country bloc, has been criticised by various non-EU governments, which argue that Brussels is exceeding its legal jurisdiction by charging for aviation emissions over an entire flight, rather than just those in EU airspace.

In response to the Brussels plan, over 20 countries – including the US, China, India, and Russia – met in Moscow in February to agree on a basket of possible countermeasures against the inclusion of aviation in the EU scheme (see Bridges Weekly, 22 February 2012). The 22 February announcement on possible countermeasures fed fears that the row could soon escalate into a global trade war.

Under the EU ETS – of which the aviation element entered into force on 1 January – airlines are required to buy permits for 15 percent of the carbon they emit; permits for the remaining 85 percent will be provided to them for free. Carriers will have to surrender permits for 2012 carbon production by 30 April 2013.

Air industry renews call for global scheme

Aviation industry officials from both EU and non-EU countries, meanwhile, are strengthening their push against the Brussels aviation emissions rule, adopting a declaration at the end of a two-day summit in Geneva last week urging governments to use the ICAO to negotiate a global deal on aviation emissions.

At the meeting, South Africa – one of the countries opposing the inclusion of aviation in the

scheme – urged Brussels to suspend the aviation component of the scheme for two years, in order to allow time for a global agreement on aviation emissions to be worked out.

“Aggressive unilateralism and extra-territorial measures are not the way to go in an increasingly globalised world,” South African tourism minister Marthinus van Schalkwyk said in outlining the proposal.

The call for additional time – backed by a US government representative and industry bodies from Europe and the Middle East – was echoed by various aviation industry executives, with the chiefs of Airbus and its often-rival Boeing both making similar pleas.

“This is not about Boeing and Airbus; it is about what is best for our customers and how we are going to get the whole industry to reduce its environmental footprint,” Boeing chief executive Jim Albaugh said after the aviation industry meeting.

“Give ICAO time to come up with a global regime. Stop it now, don’t go down the road of a trade war,” Airbus Chief Executive Tom Enders argued.

The EU has said that it would only consider changing its legislation should the 191-member ICAO come up with a sufficiently ambitious global aviation emissions agreement.

The European Commission had originally maintained that it preferred that the Montreal-based organisation be the body responsible for regulating aviation emissions. However, the EU later chose to include aviation in its emissions trading system after it deemed the UN body’s progress to be too slow.

“Fine, let’s create a global scheme, but it cannot take 100 years to get it done this time,” EU Climate Commissioner Connie Hedegaard said on Tuesday.

ICTSD reporting; “South Africa urges EU suspend airline carbon scheme,” REUTERS, 21 March 2012; “UPDATE 4 – India joins China in boycott of EU carbon scheme,” REUTERS, 22

March 2012; “UPDATE 2-Boeing backs rival in EU row, stands firm on WTO,” REUTERS, 22 March 2012; “Global trade war threat as India rejects EU plan,” THE TELEGRAPH, 23 March 2012; “U.S. Airlines Seek Action on EU Carbon Tax,” WALL STREET JOURNAL, 27 March 2012.

OTHER NEWS

US Suspends Argentina from Trade Preference Scheme

Trade frictions are on the rise between Washington and Buenos Aires, after US President Barack Obama announced on Monday that the US would be suspending Argentina from its Generalised System of Preferences programme – which waives duties on thousands of imports from developing countries – for failure to pay arbitration awards in two disputes involving US investors.

The suspension goes into effect in 60 days, according to the White House announcement.

The US Generalised System of Preferences (GSP), which was re-authorised and re-entered into effect in November 2011 following an eleven-month lapse, provides preferential duty free access for up to 4800 products from 129 designated beneficiary countries and territories.

“[US law] provides that the President shall not designate any country a beneficiary developing country under the GSP if such a country fails to act in good faith in enforcing arbitral awards in favour of US-owned companies,” the White House said in explaining Argentina’s suspension.

The decision follows a 2010 request by two US companies – Azurix and Blue Ridge Investments – asking that Argentina be suspended from the preferential trading scheme in light of Buenos Aires’ not paying compensation awarded to both companies in two separate investment disputes.

The two countries have a bilateral investment treaty that entered into force in 1994. The treaty,

among other provisions, allows investors from one country, if operating in a foreign country party to that agreement, to refer disputes to an international arbitrator rather than having to use the foreign country’s own court system.

In 2005, the World Bank’s International Centre for the Settlement of Investment Disputes (ICSID) requested that Argentina pay US\$133.2 million, plus interest, to CMS Gas Transmission Co. on the grounds that Argentina had taken action damaging the US company’s investment; that award was later transferred to another company, Blue Ridge Investments.

The following year, ICSID ordered the South American country to pay Azurix US\$165.2 million in a separate dispute. While Buenos Aires asked that both awards be annulled, the request was denied by ICSID.

“These are not new issues,” US State Department spokesperson Victoria Nuland told reporters on Tuesday. “So the White House’s decision yesterday to suspend Argentina particularly from GSP should not have come as much of a surprise. It was based on a finding that they were not in compliance with the GSP eligibility criteria set by the Congress.”

The White House, she continued, “didn’t have a lot of choice in this case,” adding that while Washington is open to working with Buenos Aires on the matter, the latter must pay the awards to move things forward.

Argentina is the ninth-highest source of US imports under the preference scheme, with the US importing US\$477 million worth of goods from Argentina in 2011 under the GSP, or 11 percent of total imports from the South American country.

Argentina responds

While the decision is not expected to have much of an economic effect, Washington’s announcement still drew a strong rebuke from Buenos Aires, with the foreign ministry releasing a statement lambasting the action. “Argentina laments the intent to oblige our country to take a

decision that would violate our national laws regarding the payment of awards.”

“These laws were respected by everyone who obtained favourable awards against the Argentine state, including victims of the dictatorship who received reparations from the state for human rights violations suffered during the previous military regime.”

Argentina has argued that the two US companies involved must work with domestic Argentine courts in order to collect the compensation awards, and that US authorities never accepted an Argentine proposal to resolve a difference in interpretation in the ICSID decisions.

The foreign ministry also called the decision to reduce by US\$18 million the benefits that Argentine exporting companies receive “manifestly incomprehensible,” given the US\$18 billion in bilateral goods and services trade.

“It’s not true that we don’t want to pay. We just wish to do so in line with the norms of our country,” Jorge Argüello, Argentina’s ambassador to the US, has said repeatedly in recent weeks in anticipation of the White House announcement.

South Sudan added to preference scheme

Also on Monday, the White House announced that newly independent South Sudan would be receiving access to the US preferences programme.

“The GSP programme is an important tool for helping developing countries to grow their economies through increased trade,” US Trade Representative Ron Kirk said in a statement.

“The President’s designation of the Republic of South Sudan as a GSP beneficiary country provides an opportunity for this newly independent nation to use trade to boost its economic development and, we hope, will encourage it to continue needed economic reforms,” Kirk added.

As South Sudan was designated as a least developed country under the scheme, nearly 4,900 tariff lines will be eligible for duty free treatment.

The move is the first step toward South Sudan becoming eligible for the African Growth and Opportunity Act (AGOA), which builds on the GSP by eliminating US import duties on nearly all products exported from the 40 sub-Saharan African countries that currently qualify for the special privileges.

ICTSD reporting; “E.E.U.U. acusó a la Argentina de ‘no actuar de buena fe’,” LA NACIÓN, 27 March 2012; “Obama sancionó a la Argentina y hubo una dura respuesta oficial,” CLARÍN, 27 March 2012; “UPDATE 3-Obama says to suspend trade benefits for Argentina,” 26 March 2012; “US extends trade benefit program to South Sudan,” REUTERS, 27 March 2012.

WTO Panel Hearing: Canada Defends Feed-in Tariff as Necessary Govt Procurement

The legality of government support for renewable energy initiatives took centre stage in Geneva this week, with a landmark case against Canada being heard at the WTO. A three person dispute panel heard opening arguments in cases launched by Japan and the EU – [DS412](#) and [DS426](#), respectively – over the Canadian province of Ontario’s local content requirements in its feed-in tariff (FIT) scheme.

In a highly welcome move, the parties had decided to allow the public to attend the first part of the 27-28 March hearing, which is the stage where parties read out their statements. However, the second part, where parties respond to panel questions, was closed to the public.

The Ontario programme in question aims at increasing the share of renewable energy in the province’s electricity mix by insulating green energy producers from risks, and facilitating investments that would otherwise be costly. While Ottawa maintains that the programme is necessary to incentivise clean energy generation, Brussels and Tokyo are concerned over the programme’s subsidising effect.

The main thrust of both complaints is that Ontario’s renewable energy feed-in tariff

programme unfairly discriminates against foreign renewable energy products through its “domestic content” clause.

“Through these measures, the Government of Ontario provides subsidies contingent upon the use of domestic over imported goods,” said the Japanese delegation in its statement. “This ... discriminatory measure is designed to promote the production of renewable energy generation equipment in Ontario rather than to promote the generation of renewable energy.”

The provisions require most renewable energy suppliers to use a minimum level of equipment produced in Ontario – 25 percent for wind and 60 percent for solar projects – in order to qualify for price guarantees and grid access under the FIT (see Bridges Trade BioRes Review, [April 2011](#)).

Due to the domestic content requirements, Japan and the EU argue that the FIT is a prohibited subsidy that directly violates the Agreement on Subsidies and Countervailing Measures (SCM Agreement). They also argue that the measures violate the national treatment requirements of the General Agreement on Tariffs and Trade (GATT) and are inconsistent with the Agreement on Trade-Related Investment Measures (TRIMs Agreement).

FIT as government procurement

In this week’s meeting, Canada countered that the FIT programme is a form of government procurement designed to ensure the affordable generation of clean energy in Ontario. As such, the programme would be shielded from both GATT national treatment requirements and the TRIMs Agreement provisions being cited in the case. Government procurement is also exempt from the WTO subsidies agreement, provided that it is not conferring a benefit.

The only WTO agreement that specifically addresses such governmental purchases is the plurilateral Government Procurement Agreement (GPA). While Canada is a party to the GPA, the Ontario Power Authority (OPA) – the agency that implements Ontario’s FIT programme – is not covered by Canada’s concessions in the plurilateral

pact. As a result, Ontario is under no obligation to grant access to its energy procurement market.

However, Tokyo and Brussels were unwilling to give ground on any FIT-as-procurement argument, instead arguing that the programme constitutes a subsidy in the form of the transfer of a fund or price support.

“The defining aspect of FIT contracts is that they ensure renewable energy generators payments in excess of those that they would receive but for the FIT Program,” argued Tokyo when rebutting Ottawa’s claim that the programme was government procurement.

This is not about a purchase, Japan added. “The OPA or the Government of Ontario never has possession of or exercises control over obtaining of the electricity supplied under the FIT Program.”

Conferring a benefit?

Brussels and Tokyo further claim that the measure – whether a governmental purchase or a transfer of funds – confers a benefit. “The FIT Program and its related contracts confer a benefit to the FIT Generators since the OPA guarantees above-market rates for the supply of electricity,” the EU argued before the panel.

“That excess is best confirmed by examining the difference between the FIT rates and HOEP [Hourly Ontario Energy Price], as HOEP represents the entire rate that these generators would have received” under normal market conditions, Japan added.

The difference between government procurement and subsidies in the form of governmental purchases involves the benefits provided by the latter to contractors. When purchases confer a benefit by granting better conditions than what is normally available on the market – for instance by paying higher prices or granting longer contract terms – they cannot be shielded from the WTO’s SCM Agreement by being deemed a form of government procurement.

Ottawa denies the existence of such benefits. Countering Tokyo’s and Brussels’ claims regarding

the HOEP, it argued that that HOEP was an inappropriate benchmark and that “the focus of any benefit analysis must be on the recipients of the benefit – wind and solar energy producers – not consumers.”

The question would then be whether Ontario wind and solar energy producers receive better contract terms and whether that translates into an economic benefit relative to their competitors. The calculation of a benefit, however, is highly controversial under current subsidy rules.

Next steps

The panel has requested the parties to submit their written rebuttal submissions by the end of April; the panel will then hold a second oral hearing. Canada can be expected to bring new arguments at that stage, given that it already changed its statements in this week’s hearing on short notice after listening to Brussels’ and Tokyo’s statements.

An interim report may be submitted to the parties on a confidential basis as early as July of this year. A public ruling, however, is not expected before late October.

ICTSD reporting.

European Commission Eyes Tit-for-Tat Mechanism to Open Govt Procurement Markets

EU officials outlined a plan last week that would allow Brussels to block companies from non-EU countries from bidding for government contracts, should European firms continue to face difficulty in winning public contracts abroad. The move is expected to escalate tensions with EU trading partners, particularly China.

The initiative, announced Wednesday 21 March, would allow European contracting authorities to reject tenders or contracts worth over €5 million, should these contracts also consist of more than 50 percent of goods and services that are not subject to the EU’s international procurement commitments, such as the WTO’s Government Procurement Agreement (GPA) or bilateral deals.

The rejection of these bids by contracting authorities would be subject to approval from the European Commission.

The European Commission would also be able to conduct investigations into whether a non-EU country is engaging in discriminatory procurement practices against European suppliers.

The Commission would then start consultations with that country; should those consultations not be successful, Brussels would have the option of taking measures to restrict access to the EU’s market.

Last week’s announcement comes three months after the 27-country EU bloc, together with 15 other WTO members, concluded negotiations for a revised GPA to liberalise US\$100 billion in public contracts, in addition to the US\$500 billion already covered in the original pact.

“I am a firm believer in making sure trade flows freely and government procurement must be an essential part of open trade markets worldwide,” European Trade Commissioner Karel de Gucht said in announcing the initiative.

“This proposal will increase the leverage of the European Union in international negotiations and with our partners to open up their procurement markets for European companies.”

“The EU should no longer be naïve and should aim for fairness and reciprocity in world trade,” Michel Barnier, European Commissioner responsible for the Internal Market and Services, said in a statement.

Public purchases of goods and services makes up 19 percent of EU GDP, or €2 trillion a year, according to European Commission figures.

Brussels hoping for ‘leverage’

The Commission, in announcing the initiative, noted that the new policy is “aimed at all countries that do not open public procurement markets as much as the EU has to their own suppliers and in which EU companies are regularly subject to serious discriminations.”

“The instrument will create leverage for negotiating further market access and more symmetry and fair treatment for European companies in the EU and third-country public procurement markets,” according to a Commission document outlining the proposal.

The new initiative has some trade observers speculating that the EU might seek additional procurement openings in US and Japanese markets.

According to European Commission data, under the original GPA €352 billion of the €420 billion in the EU’s public procurement market – or 85 percent – is open to bidders from other countries that are a party to the plurilateral pact.

In comparison, only 32 percent of the US procurement market is open to foreign bidders, with Japan at 28 percent, according to European Commission figures. Both the US and Japan are also parties to the GPA.

EU officials have stressed that Brussels will respect all international agreements to which it is a signatory, including the GPA, noting that there is no conflict between the potential mechanism and the plurilateral pact.

Meanwhile, the Commission noted that only a fraction of the Chinese procurement market is available to EU companies, given that Beijing is not a party to any international procurement agreement.

“Our commercial partners apply a lot of protectionist measures to the procurement market,” Barnier told reporters last week. “This is true of the US and Japan, where we have the [Government Procurement Agreement]. It is also true of countries that don’t fall under the GPA, the emerging countries where we have no secure access.”

China in the spotlight

The initiative drew a cold response from Beijing officials, with China being widely viewed as one of the countries that would eventually be targeted by

the regulation for not being a member of the GPA.

China, with its large government procurement sector, agreed to join the GPA in its 2001 WTO accession protocol, and has submitted multiple offers to the WTO’s Committee on Government Procurement outlining which Chinese government agencies would be covered if Beijing were to join the 42-country pact.

However, mirroring the process for joining the WTO, acceding to the GPA requires consensus among GPA parties on the terms of accession offered by the would-be party. China’s first two offers to the WTO committee – one in 2008 and the other in 2010 – were both met with written requests from various parties requesting improvements, and its latest offer in December met with a similarly lukewarm response.

“The EU’s new pact, when adopted, won’t have an immediate effect on Chinese companies bidding for EU contracts and won’t scare China into making concessions over the government procurement agreement proposal, as they expect,” said Suo Bicheng, director of the Department of World Trade Organization Affairs at China’s Ministry of Commerce, according to comments reported in the China Daily newspaper.

Some experts suggest that the proposed EU initiative could instead slow down China’s GPA accession process, by helping fuel existing opposition among those in China who question the benefits of joining the plurilateral pact.

Meanwhile, some EU member states have raised concerns that the measure could lead to a tit-for-tat trade row between Brussels and Beijing. Proponents, however, including French President Nicolas Sarkozy, argue that the regulation would create “reciprocity, not protectionism.”

Next steps

The initiative would next need to go to the European Council and European Parliament for approval, with the goal of bringing the proposal into effect by the latter half of 2013.

ICTSD reporting; “EU eyes measures to open up public contracts,” *BUSINESSWEEK*, 21 March 2012; “EU seeks tougher rules in market for public contracts,” *EUROPEAN VOICE*, 14 March 2012; “Germany warns on keeping EU market open,” *FINANCIAL TIMES*, 21 March 2012; “European Union Plans Retaliation in Public Contract Bidding,” *NEW YORK TIMES*, 21 March 2012; “EU aims govt contract curbs at China, Japan, US,” *REUTERS*, 21 March 2012.

IN BRIEF

European Parliament Committee Rejects Legal Review of Anti-Counterfeiting Pact

A European Parliament committee rejected a proposal to refer the controversial Anti-Counterfeiting Trade Agreement (ACTA) to the European Court of Justice yesterday, clearing the way for the Parliament to vote on the pact this summer.

At yesterday’s meeting of the European Parliament’s International Trade Committee (INTA), 21 members voted against ACTA Rapporteur David Martin’s proposal, five voted in favour, and two abstained.

ACTA is a plurilateral trade pact seeking to strengthen global standards for the enforcement of intellectual property rights in order to combat counterfeiting and piracy. Many developing countries and consumer organisations have criticised it for its possible effects on internet freedoms and access to medicines (see *Bridges Weekly*, [7 March 2012](#)).

Last February growing protests across the European continent prompted the European Commission - the EU’s executive branch - to decide to refer the treaty to the European Court of Justice (ECJ) in order to assess the pact’s compatibility with EU’s individual fundamental rights and freedoms (see *Bridges*, [22 February 2012](#)).

A coalition of NGO groups, such as Oxfam and Médecins Sans Frontières, have argued that the Commission’s referral was “an attempt to deflect growing protests and avoid ACTA being definitely rejected by national governments and the European Parliament.”

Soon after the Commission’s referral, ACTA Rapporteur to the European Parliament David Martin asked INTA to support his plan to submit a referral to the ECJ on the basis of the Parliament’s set of questions, rather than having Parliament limiting itself to the European Commission’s referral of ACTA.

The EU signed the agreement last January, following Australia, Canada, Japan, South Korea, Morocco, New Zealand, Singapore, and the United States (see *Bridges Weekly*, [1 February 2012](#)). It will enter into force only after six of its eleven negotiating parties have ratified the treaty.

In the EU, the pact will become legally binding when signed and ratified both by the EU as a bloc and by its 27 member states. At the EU level, the Parliament’s express consent is needed before the agreement is adopted.

INTA decision sets the stage for June vote

Citizen advocacy group La Quadrature du Net welcomed the move by INTA, noting that the Parliament can now proceed with its work on ACTA, but that “MEPs will have to shed the light on the democratic and political issues raised by ACTA, such as the extra-judicial measures aimed at stepping up the repression of online sharing.”

“If Parliament refers ACTA to the court, then it can no longer vote on it,” German Member of the European Parliament (MEP) Daniel Caspary said in explaining the rejection.

For his part, Martin defended his proposal, stating that it was not “a political trick” intended to delay the process but was intended rather “to shed some light that would help members of Parliament make their decision.”

Despite the rejection of his proposal, Martin indicated he would adhere to the previously agreed timetable for Parliament’s decision on

ACTA and present his report on the pact in April. On the basis of Martin's report, the Committee should vote on its recommendation to the EU Parliament over the treaty's adoption in May. The Parliament's ultimate decision on ACTA should be taken at its June plenary session.

"I am glad that the calendar is clear now and things will move faster. We need to stop discussing the procedure and start the political debate on the content" Martin added.

ICTSD reporting; "ACTA: reasons for committee vote against referral to Court of Justice", INTA, 28 March 2012.

Pakistan Implements 'Negative List' for India Trade

In Islamabad's latest step toward granting New Delhi most favoured nation status by year's end, Pakistani officials announced last week that India will now be able to export all products into Pakistan, with the exception of a 'negative list' of 1,200 items.

The Statutory Regulatory Order issued by Pakistan's Commerce Ministry on Wednesday 21 March indicates that Pakistan will now be able to import over 6,800 items from India under the new policy. Previously, Pakistan traded with India under a 'positive list' structure that allowed imports of fewer than 2,000 items.

The move follows Islamabad's landmark announcement last year that it was planning to grant its neighbour with most favoured nation (MFN) status, a WTO requirement that mandates all members to treat their trading partners equally (see Bridges Weekly, [9 November 2011](#)).

While India granted Pakistan most favoured nation status in 1996, Pakistan had previously refused to grant MFN status to its neighbour due to the countries' disagreements over the Kashmir region.

Unsteady past trade relationship

After years of trade tensions, both sides have been trying to foster better trade relations in recent months as a way of improving political and economic ties.

"Flourishing trade is the biggest confidence building measure among any two nations," India's Trade Minister Anand Sharma said earlier this month.

"Pakistan is moving in the right direction in terms of bringing economic content into the political relationship," India's Foreign Minister S.M. Krishna told reporters in New Delhi. "This would certainly help strengthen our bilateral ties."

The two sides saw another breakthrough in trade relations in recent months, when India dropped its long-standing objections to an EU request for a WTO waiver that would allow Brussels to temporarily grant trade concessions to Pakistan to help the country's economy recover from the floods in 2010. (See Bridges Weekly, [8 February 2012](#))

Bilateral trade between the two countries equalled approximately US\$2.7 billion through March 2011, though indirect trade via other Asian countries is estimated to be much higher. Meanwhile, India's trade with another Asian neighbour – China – stands at more than US\$60 billion annually.

According to India's Associated Chambers of Commerce and Industry, the move to normalise trade relations could potentially increase cross-border trade by over US\$6 billion by 2014.

ICTSD reporting: "India Embraces Pakistan Trade Plan as Rivals Boost Economy Ties," BLOOMBERG, 1 March 2012; "Divergent reaction to 'negative list'," DAWN; "India hails Pakistan decision on trade ties," DAWN, 2 March 2012; "Pakistan's move on trade with India can help in wider normalisation of ties," THE ECONOMIC TIMES, 2 March 2012; "Pakistan to Ease India Trade Limits," WALL STREET JOURNAL, 1 March 2012. "Negative-list trade likely to push forward talks between India, Pakistan," LIVEMINT, 24 March 2012; "Negative

List for India trade notified,” THE NATION, 22 March 2012.

Canada, Japan to Begin Trade Talks

Japan and Canada have agreed to start negotiations toward a bilateral free trade pact, leaders from both sides announced on Sunday 25 March.

“This is truly a historic step that will help to create jobs and growth for both countries,” Canadian Prime Minister Stephen Harper said in announcing the trade talks.

The news follows a recently released joint study estimating that such an agreement could mean gains of up to C\$3.8 billion (US\$3.81 billion) a year in Canadian gross domestic product (GDP), with Canadian exports to Japan increasing by as much as 67 percent.

The study found that a bilateral trade deal could add billions of dollars to Canada’s economy in the areas of agriculture, energy, and aerospace.

While Japan is hoping that such an accord would remove a 6.1 percent tariff on its automobile exports to Canada – a possibility that has prompted concern from Canadian auto producers – Ottawa is looking to achieve increased agricultural market access in Tokyo.

Japan is Ottawa’s fifth largest trading partner, with bilateral trade equalling approximately US\$23 billion in 2010, according to Canadian trade ministry data.

Trans-Pacific trade talks in the background

The announcement of the bilateral talks comes just months after both countries outlined their intent to join the Trans-Pacific Partnership (TPP) negotiations, a nine-country deal billed by its supporters as a “21st century” trade pact (see Bridges Weekly, [16 November 2011](#)).

Since then, current TPP members have been holding bilateral consultations with Canada, Japan, and Mexico, which also stated its interest in

signing onto the talks, regarding when and whether these countries can join the negotiations.

The prospect of joining the TPP has long been a source of controversy in Japan, with Japanese farmers fearing that signing onto the deal pact could put them at risk of a flood of cheap agricultural products from overseas. In light of these concerns, Japanese Prime Minister Yoshihiko Noda has stressed that he will “firmly protect Japan’s agriculture.”

Meanwhile, Ottawa’s bid to join in the nine-country talks has “moved forward” since the November announcement, Canadian Trade Minister Ed Fast told the Wall Street Journal earlier this month.

However, some Canadian officials and analysts have noted that getting the US – one of the current TPP members, which has stressed its interest in concluding the nine-country negotiations this year – to back its request to join the talks could face some obstacles, given that Canada and the US compete in many similar areas.

The TPP currently counts Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the US, and Vietnam as members.

ICTSD reporting: “Canada, Japan agree to free-trade talks,” CBC NEWS, 25 March 2012; “Canada Chases the TPP Holy Grail,” THE DIPLOMAT, 25 February 2012; “Canada, Japan launch free trade talks,” THE GLOBE AND MAIL, 26 March 2012; “Japan will join TPP dialogue, Noda decides,” THE JAPAN TIMES, 12 November 2011; “Japan, Canada to Launch Trade Talks,” THE WALL STREET JOURNAL CANADA NEWS, 25 March 2012; “Canada Sees Progress on Bid to Join Pacific Trade Pact,” WALL STREET JOURNAL, 9 March 2012.

WTO IN BRIEF

WTO: Cold Welcome for Ag Export Competition 'Early Harvest'

A bid to fast-track an agreement on farm export subsidies and related measures met with a cold welcome last Thursday at the first WTO informal negotiating session on agriculture involving all members since the organisation's trade ministers met in December.

The move, favoured by countries in the Cairns Group of farm exporters, was opposed by the European Union, which argued that agricultural export subsidies and other 'export competition' issues needed to be seen as part of a broader set of trade-offs in the WTO's Doha Round of talks.

The discussion had "helped highlight some different views in this area," said Ambassador John Adank of New Zealand, the chair of the agriculture negotiations, in [remarks](#) at the end of the meeting. He encouraged members to make direct contact with each other to try and identify scope for progress.

"The Cairns Group is right that the export competition pillar is nearly done," one observer remarked following the meeting. "The trouble is, it's all linked."

However, other sources told Bridges that the lack of progress in Thursday's discussions had not come as a surprise. "It was not completely unexpected in the current environment," noted one delegate, who said that little progress was likely to be achieved in 2012.

Adank told the meeting that a set of ten outstanding negotiating questions identified by previous chairs were widely seen as "key political issues that will need to be resolved" before any overall agriculture trade deal could be reached (see Bridges Weekly, [27 April 2011](#)).

In comments to Bridges, trade negotiators concurred with his assessment. "All of the outstanding issues are quite complex, political

issues," said one, who warned that little progress was likely "unless the political environment was right."

Elections and changes of government this year in major trading powers, including the US, France, and China, meant this would unlikely happen any time soon, the source observed.

In the meantime, WTO members could help support non-negotiating processes in the margins of the organisation's work, such as informal seminars to discuss relevant issues, as a means to "build knowledge and understanding" on agricultural trade policy, said Adank.

Negotiators had met informally the previous Monday to discuss agricultural export restrictions and examine different ways of calculating market price support, in the margins of the regular Committee on Agriculture, which met on the Wednesday of the same week.

Adank also told the meeting that he would not set out a work programme for negotiators to pursue, or even plan a date for further consultations, in the absence of any consensus on how best to move beyond the impasse.

However, he said he would consult on a possible date for another meeting "in due course."

ICTSD reporting.

US Contests Country of Origin Labelling Decision

The US is set to fight another round in its WTO disputes with Canada ([DS384](#)) and Mexico ([DS386](#)) regarding Washington's country-of-origin labelling requirements for livestock and meat exports, after the US filed an appeal at the global trade arbiter on 23 March. The appeal follows a November panel ruling that had deemed the US requirements to be WTO illegal (see Bridges Weekly, [23 November 2011](#)).

Washington's appeal has been harshly criticised by trade experts as a delaying technique and a political move, with the US filing the appeal

despite having only a slim chance at victory. The US is not required to change its policies until the panel's findings are confirmed by the Appellate Body and adopted by the Dispute Settlement Body – a process that can easily take another four months, followed by a jointly defined “reasonable period of time” for reform.

The original panel had not dismissed the US' right to label the origin of food, but had found that its measures were too burdensome and trade restrictive while not achieving their stated aim – clear consumer information on the origin of meat.

According to the US Trade Representative's (USTR) General Counsel Tim Reif, the US will challenge the panel's findings that the statute and regulations were discriminatory against Canadian and Mexican producers and that the measure was more trade restrictive than necessary to achieve the stated consumer information objectives.

In response, the Mexican Ministry of Economy pledged to “continue to defend in the appellate stage the victory obtained ... in the World Trade Organization.”

Mexico has also indicated that it might file an appeal of its own in the coming days, in order to clarify points of law in the original panel ruling.

During the proceedings, Mexico City had complained that the regulations were responsible for an almost 50 percent drop in the country's cattle trade in recent years.

Expect no surprises, experts say

While experts doubt that there will be any surprising changes in the overall findings against the US, the Appellate Body report is eagerly awaited as it could clarify some more systemic issues concerning the WTO's Technical Barriers to Trade (TBT) Agreement.

The dispute is one out of three TBT cases that are currently at the appellate stage, awaiting a final ruling. All three cases concerned the question of what type of governmental measures could be challenged under the TBT Agreement and to what extent members may restrict trade to achieve selected public policy aims.

It is also the third TBT dispute that the US has lost in the space of one year, for reasons of implementing its labelling or product regulation measures in a discriminatory or unnecessarily trade restrictive manner.

A final decision in the country-of-origin labelling case is expected by the end of June.

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming soon

26-29 March, London, UK. 2012 PLANET UNDER PRESSURE CONFERENCE. This event is an international science conference focusing on solutions to the global sustainability challenge. The conference will draw on the final report of the UN Secretary General's High-level Panel on Global Sustainability (GSP) and will seek to provide scientific leadership towards the 2012 UN Conference on Sustainable Development (UNCSD, or Rio+20). The conference will consist of four days of speaker presentations featuring science researchers, fellows, and various representatives from the private sector, civil society, media, and other sectors. Topics discussed will include the current state of the planet, options and opportunities for improving it, the possible challenges to progress, and planetary stewardship. For more information, please visit the event's [website](#).

29 March, New Delhi, India. FOURTH BRICS LEADERS SUMMIT 2012. The fourth official BRICS Leaders Summit will bring together the leaders of Brazil, Russia, China, India, and South Africa, to discuss a range of political, economic, and social issues of mutual and international interest. The summit aims to provide a platform for the countries involved – who together represent more than half of world's population and 35 percent of its foreign exchange reserves – to play an active and vigorous role at the global level in strengthening progressive development

trajectories and seeking optimal representation and participation in matters of global political, economic, and financial governance. For more details, please visit the event's [website](#).

29-30 March, Paris, France. OECD MEETING OF THE ENVIRONMENT POLICY COMMITTEE AT MINISTERIAL LEVEL. OECD Environment Ministers will meet on 29-30 March 2012 in Paris under the theme "Making Green Growth Deliver." They will review the implementation of the *OECD Environmental Strategy for the First Decade of the 21st Century* that was adopted in 2001. Ministers will also discuss future priorities for action based on the *OECD Environmental Outlook to 2050: The Consequences of Inaction*, which makes a case for green growth policies. Ministers are expected to adopt a policy statement as input to the upcoming Rio+20 UN Conference on Sustainable Development, which is scheduled for June of this year. More information on the event can be found [here](#).

2-6 April, Paris, France. ENERGY TRAINING WEEK 2012. This interactive training event will be delivered by a large team of International Energy Agency (IEA) experts who will take participants through a mixture of focused lectures, practical exercises, and field trips. The training week is designed for government officials and private sector experts from non-IEA countries and is expected to attract participants and representatives from up to 50 countries. Training content will focus on the latest trends and developments in a range of energy sectors. This training week aims to provide an opportunity for focusing on and discussing energy security, markets, sustainability, technology, and analysis, and to experience a mixture of the important topics of the energy world. For more information about this event, please click [here](#).

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.

29 March: Working Party on the Accession of Serbia

30 March: Committee on Government Procurement

30 March: Council for Trade in Goods

Other Upcoming Events

11-12 April, Bangkok, Thailand. EXPERT CONSULTATION ON PRIORITIZING ADAPTATION AND MITIGATION STRATEGIES FOR AGRICULTURE IN SOUTH AND SOUTHEAST ASIA. This expert consultation seeks to provide a forum to brainstorm research strategies and identify potential partners and sites in Southeast Asia. This event plans to review best practices and technologies for climate smart agriculture; review the latest knowledge regarding the impact of climate change on agriculture; and prioritise research and development. This event is organised by the Consultative Group on International Agricultural Research's (CGIAR) Climate Change, Agriculture and Food Security Program (CCAFS), the Asia Pacific Association of Agricultural Research Institutions, and the World Meteorological Organization (WMO). For more information, please visit the event's [website](#).

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, Australian Services Roundtable, the China Association of Trade in Services, the Commonwealth Secretariat, and various coalitions and associations of services industries, the Global Services Forum 2012 will be held at the National Convention Centre in Doha, Qatar. 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. 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](#).

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](#).

NEW ZEALAND. By Marilyne Huchet-Bourdon and Jane Korinek for the Organisation for Co-operation and Development (OECD) (March 2012). This OECD trade policy working paper examines the impact of exchange rates and their volatility on trade flows in two small, open economies – Chile and New Zealand – with three major trading partners in two broadly defined sectors – agriculture on one side and manufacturing and mining on the other. It finds that exchange volatility impacts trade flows in the small, open economies more than was found for larger economies. Findings do not clearly indicate the direction of the impact. However, it also finds that exchange rate levels affect trade in agriculture, manufacturing, and mining sectors, although their magnitude differs depending on the trading partner and sector. Moreover, this study indicates that depreciation in the exchange rates in Chile and New Zealand would not lead to a strong change in their trade balances with three main trading partners across the board. This publication can be accessed [here](#).

A GLOBAL REDESIGN? SHAPING THE CIRCULAR ECONOMY. By Felix Preston for Chatham House (March 2012). This working paper focuses on redesigning the global economy in a way that will be effective and successful for years to come. The author argues that a fundamentally new model of industrial organisation is needed to de-link rising prosperity from resource consumption growth. He suggests a ‘circular economy’ to transform the function of resources in the economy. For example, waste from factories would become a valuable input to another process and products could be repaired, reused, or upgraded instead of thrown away. He also argues that a circular economy (CE) will create huge business opportunities, such as improving business-to-business collaboration, and that policy-makers should focus on accelerating transition to a CE in a timescale consistent with the response to climate change, water scarcity, and other global challenges. Furthermore, he urges that resource consumption targets that reflect environmental constraints should be considered at a global level. For more information, please click [here](#).

Resources

TRADE EFFECTS OF EXCHANGE RATES AND THEIR VOLATILITY: CHILE AND

ACHIEVING COST-EFFECTIVE GREENHOUSE GAS MITIGATION AND

CLIMATE CHANGE ADAPTATION. By J. Robert Gibson and Christine Loh for Civic Exchange (March 2012). This resource is a submission to the Secretariat of the UN Framework Convention on Climate Change (UNFCCC) in response to its invitation to accredited observer organisations to submit views on various approaches – including opportunities for using markets – to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries. It also responds to COP17's request for such a paper. Among its proposals, it recommends that the Green Climate Fund (GCF) use a range of tendering and Reverse Auction Mechanisms (RAM) to allocate funding to mitigation projects. To view this paper, please click [here](#).

US TRADE POLICY: STILL WAITING FOR A “21ST CENTURY TRADE AGREEMENT”. By Timothy A. Wise and Kevin P. Gallagher for the Global Development and Environmental Institute at Tufts University (August 2011). Negotiations have commenced on the Trans-Pacific Partnership (TPP), a proposed free trade pact that is being billed as “a trade agreement for the 21st century.” In this policy brief from the Latin America Trade Network (LATN), the authors argue that US TPP proposals come straight from the same mold as the North American Free Trade Agreement (NAFTA). They also argue that some provisions even weaken or eliminate the few improvements made since NAFTA. Basing their analysis on a detailed set of proposals from the Task Force on North American Trade Policy, the authors find that the TPP and the proposed FTAs with South Korea, Colombia, and Panama fail to adopt essential provisions for protecting both the environment and labour rights and fail to recognise asymmetries in development among trading partners. This resource can be viewed [here](#).